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September, 1924

# CREDIT MONTHLY

The National Magazine of



Business Fundamentals

## *The Great Adjustment Case*

*Why America Was Needed as a Mediator in  
Europe and What May Be Expected  
From the Operation of the  
Dawes Plan*

*Dr. Jeremiah W. Jenks*

## *Patents and Trade Marks*

*Are They Credit Assets or Liabilities?  
Milton Wright*

## *Letters with Snap in Them*

*Thoughts on the Contents and Form  
of Letters*

*Edward F. Fane*

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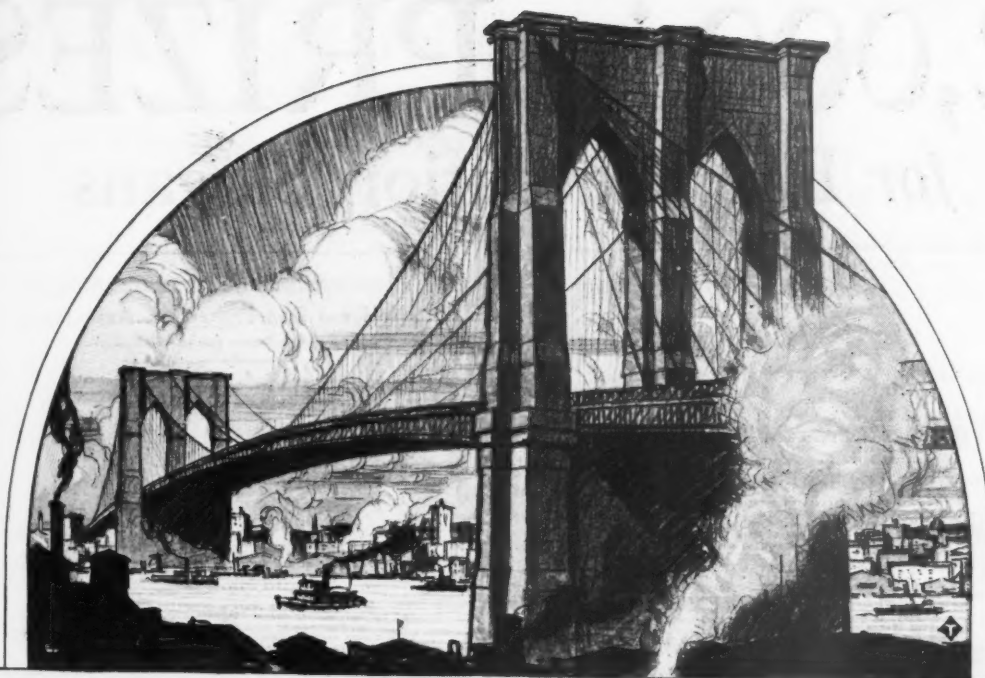
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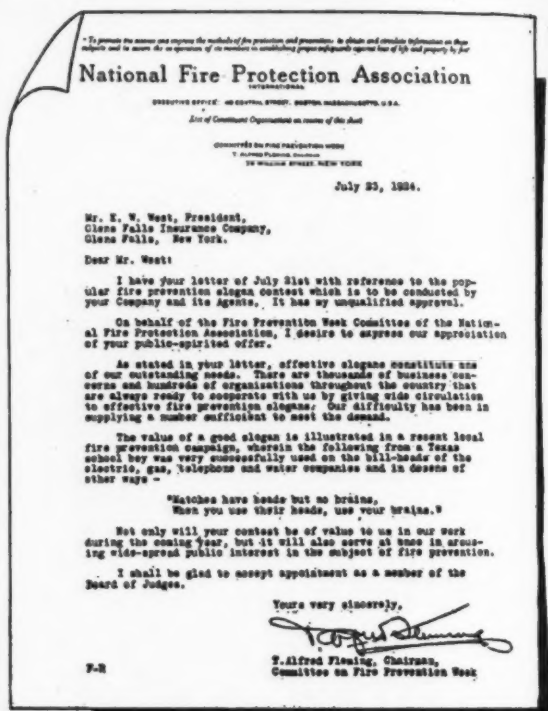
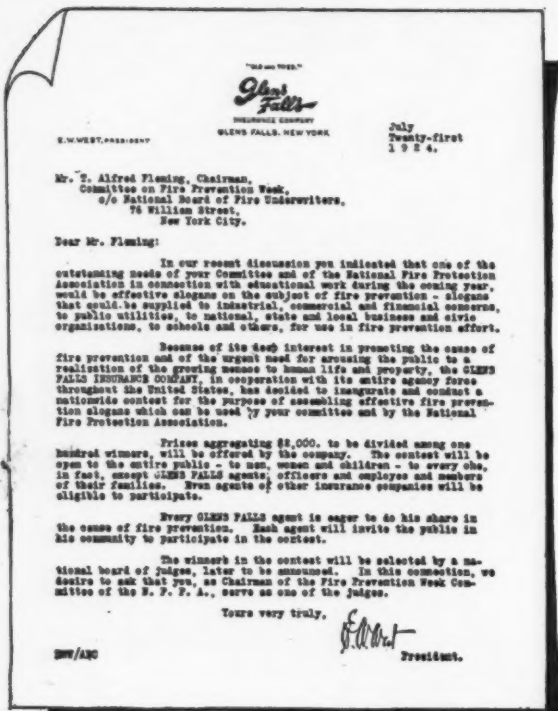
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### RULES GOVERNING THE CONTEST

- (1)—Slogans are not limited as to number of words, but brevity will be a factor in determining quality; they must be original and suggest some practical method of fire prevention.
- (2)—There is no limit to the number of slogans each contestant may submit, but each one must be written on a separate sheet of paper (preferably in typewriting) with the name and address of the contributor in the upper left hand corner, and delivered—or mailed—in a sealed envelope bearing the name and address of the contributor, to a Local Agent of the Glens Falls Insurance Company, who will endorse it with his name, and mail unopened to the Company.
- (3)—The contest is open to the entire public, except the officers,

directors, agents and employees of the Glens Falls Insurance Company and their families. Agents of other companies may participate.

- (4)—Should two or more persons submit the slogan considered best, 2nd best, etc., each will be awarded the full amount of prize tied for.
- (5)—The contest closes on Saturday, October 11, 1924, the last day of Fire Prevention Week. Contributions must be in the hands of a Local Glens Falls Agent on or before that date.
- (6)—All slogans submitted will be donated to the National Fire Protection Association for use in Fire Prevention work.
- (7)—Prizes will be awarded not later than December 15, 1924.

#### THE JUDGES

T. ALFRED FLEMING, Chairman of the Committee on Fire Prevention Week, National Fire Protection Association  
J. H. TREGOE, Secretary-Treasurer of the National Association of Credit Men  
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INSURANCE COMPANY  
GLENS FALLS, N.Y.

#### TO CREDIT MEN

The deep interest of credit men throughout the country in the subject of fire prevention prompts us to extend to them a special invitation to participate in this contest

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Member, Audit Bureau of Circulations

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RODMAN GILDER, Managing Editor

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### NEARLY EVERY FORM OF CREDIT

*calls for some sort of insurance protection. We have always believed that*

### Insurance is a Credit Fundamental

*and that the business men who should be*

### Best Informed on Insurance Subjects

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### Insurance Number. It will contain,—

*besides other features designed to help the credit executive in his day's work,—a group of*

### Special Articles on Insurance

*written for our*

### Insurance Number. Among the articles will be:

*Insurance Coverage for Shipments,*  
by C. C. Martin, New York.

*The Banker and Insurance,*  
by James R. Young, Raleigh.

*The Protection of Vital Business Records,*  
by H. P. Weaver, Philadelphia.

*When Is a Business Adequately Insured?*  
by L. N. Boyd, Atlanta.

*Use and Occupancy Insurance and Credit,*  
by B. L. Whorf, Hartford.

*What Under-Insuring Means to Credit,*  
by W. M. Prentice, New York.

*How Conflicting Interests Meet in Drafting Regulations for Special Hazards,*  
by Franklin H. Wentworth, Boston.

*The Land of the Fire,*  
by Oliver T. Williams, New York.

### Watch for the October Number

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Vol.  
XXVI  
No. 9



## A Sign of Safety

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## *Is Your Credit Department Dynamic?*

**T**IME to survey one's business in its broader aspects and possibilities—that is what we hear many a man wishing for. In his longings, however, details grip him. In a maze of details he gropes and ends each day no nearer the goal than the day before.

And the worst of it is that devotion to details becomes a habit. Let him stop for a moment and he will find that the detail habit of mind has become so firmly set that an effort to reflect upon the broader problems of business and ways and means of building for larger things meets with vigorous mind resistance.

The man has lost his mastery of details; details have gained mastery over him. Growth has ceased and if a concern is so unfortunate as to have control lodged in a purely detail man, there is no possibility of progress; instead dissolution and decay are inevitable.

No concern has ever reached eminence or success except as there has been over it some one to whom the details of the business were but mechanisms to be nicely operated to bring about a result that stood constantly out as clear as Venus in a cloudless evening sky. With him there were no motions in circles. Every record even had to yield its maximum results as telltales of the business and its welfare.

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*Editor.*

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# CREDIT

## MONTHLY

VOL. XXVI

SEPTEMBER 1924

No. 9

## The Great Adjustment Case

The Significance of the Dawes Plan and What May Come of It

*By Jeremiah W. Jenks, Ph.D., LL.D.*

Research Professor of Govt. and Public Administration, N. Y. University

Chairman, Board of Directors, Alexander Hamilton Institute

THE greatest adjustment case in history is now pending in London. It looks today, August 9, 1924, as if there would be a preliminary settlement in the near future. Final settlement will be long delayed. Few of us will live to see the case closed.

The case of the Allied and Associated Powers vs. Germany began with the Armistice Agreement in 1918. A supposed plan for settlement was made in the Treaty of Peace at Versailles signed June 28, 1918; but as is the case so often with debtors, many difficulties have arisen. The debtor has claimed at times that the demands made in the Peace Conference were absolutely contrary to the former agreement made by all parties in the Armistice Agreement. The French and Belgian governments have claimed that there was voluntary default on the part of the German debtor in 1922; and individually apart from the other creditors, they seized much of the valuable property of the debtor although some of the other creditors are of the opinion that they had no right under the terms of the agreement to take such action; and of course, the debtor, Germany, claims that such action was a violation of the Treaty.

There have been important meetings of Prime Ministers, government representatives and experts at Brussels and Genoa, and there have been numerous minor conferences among the Prime Ministers at various places in order to see if some financial adjustment could not be made that would secure the rights of the creditors on the one hand without completely ruining the debtor on the other; but apparently very little progress had been made. Not a little friction even had arisen among the creditors themselves,—as is often the case because creditors' interests are sometimes conflicting. Despairing of finding a way out of their difficulties themselves, the chief countries finally invited the United States, whose claims are relatively small and on an entirely different basis, to join with them in an effort to find a plan by which this debtor's affairs might be so managed as to furnish a reasonable degree of satisfaction to the creditor nations. The Dawes Plan



DR. JEREMIAH W. JENKS

was the result; and the present Conference in London is attempting to make a beginning of setting that plan to work.

It is worth the while of the American people, especially American business men, to take these proceedings into account. It is probable that no other case in international financial or political affairs has been so important in its bearing upon questions of peace and war and especially on questions of business enterprise and business prosperity for all countries of the world as this case now pending. Let us note something of its meaning and of the conditions in Europe that make it essential that Americans understand the case. Let us consider also the part that the American Government, and especially the American business men, can play and must play, if they are to get the benefit that should come to them from a satisfactory adjustment of the case as well as to the world at large.

The main facts regarding the War, the terms of peace, the reparations claims, the occupation of the Ruhr, the differences of opinion between the governments of France and Great Britain over this occupation and its results, and the main points of the Dawes plan for adjustment, are sufficiently well known. There are, however, certain underlying economic, political, and even moral forces that have been

back of some of these movements that are not so well understood, and there are certain features of the Dawes plan itself, and the way in which it is likely to work that will bear further study, and that business men should carefully consider if they are going to make the best of the present situation.

We may pass hastily over the economic and financial conditions in Europe because at the present moment they are not so significant as moving causes as are certain political influences, and again, they are better understood.

### EUROPE'S CONDITION BETTER

The economic condition is much better in all of the former belligerent countries than was the case two years ago. The agricultural situation and the industrial situation in practically all of the countries have very distinctly improved, and yet with numerous individual exceptions, they are not back to the condition of pre-war prosperity.

The financial situation is distinctly better, but is not yet satisfactory. Before the War practically all of the countries of Europe had satisfactory monetary systems. They were on a gold basis, and people knew reasonably well what their contracts meant. It is true that in the case of long time contracts there were fluctuations in the purchasing power of gold that in times caused embarrassment; but in short time contracts there was no difficulty, and in long time contracts the changes came about so slowly that both governments and business men could and did adjust themselves fairly well to the gold standard. Now it is scarcely too much to say that there is no standard in Europe. To be sure, Sweden feels that she has practically come back to the gold standard. The Swiss franc, the Dutch guilder, the English pound sterling have a nearness to gold parity and a degree of stability in value so that people look upon them as standards by which they can reckon. Austria, Hungary, Poland, Germany—all say that they have stabilized their currencies so that one knows with a sufficient degree of accuracy how the values of their present day currencies

may be reckoned in terms, for example, of dollars. And yet these periods of stabilization are of short duration as yet, and the new currencies have not been conducted so that the business men in either the countries themselves, or in foreign countries, have confidence in them. For example, in Vienna at any reputable bank a man can secure a gold credit on first-class security with a promise to pay gold or its equivalent at say eight or ten per cent. *per annum*, when he would have to pay substantially double that rate for a currency credit payable in currency. And yet Austria of all these Central European countries, has had her currency stabilized the longest. They are all, however, on the way to stability and good currency systems, and that is a decided improvement. Even in France we note a marked change. In the Fall of 1922 bankers and business men, and especially the politicians were claiming that they would bring the French paper franc back to par with gold, so that the internal obligations would eventually be gold obligations. Practically no one makes such a claim now. The leading bankers, the business men, and the statesmen say now that as soon as the reparations question is adjusted through the putting into effect of the Dawes plan, and after they get a little time to adjust their internal financial conditions, they also will stabilize their currency and put it on the gold basis. At just what rate, they do not yet know. No one of their real financial experts, however, expects to bring the franc back to par. It will probably be stabilized at from twenty to twenty-five percent, possibly as high as thirty-three and one third percent of its former par value.

We see, therefore, that although the financial situation throughout Europe is improving, it is by no means back to pre-war conditions. All of these countries must get new monetary systems firmly fixed on a gold basis before we can consider them normal.

Much the same condition holds as regards their budgets. It is scarcely too much to say, except about England, that not one of the former belligerent countries has yet succeeded in putting its budget into a really satisfactory condition.

There are nominal balances to be sure, and even a real balance on a permanent basis is in sight in the not distant future for several of the countries, but we are still looking to the future for a thoroughly satisfactory condition.

The political situation and the underlying motives which control that situation have, however, been much less satisfactory in nearly all of the countries. Even on matters of internal politics there have been bitter dissensions that have gone far to prevent rapid recuperation, and in international relations, the situation has been even worse.

#### POLITICAL TURMOIL IN EUROPE

We sometimes feel in the United States that our political partisanship is bitter and injuriously hostile, but the violence of our partisanship here does not compare with that in most countries in Europe. The reason is evident. Our political parties, are not divided along the lines of the industrial and social classes; so that one can hardly say that the financial and business interests of Democrats and Republicans, or even of Socialists very materially differ, however different their views may be on certain topics. In European countries, generally speaking, this is not so. The conditions in the different countries, of course, vary. No two are quite alike, but the division of parties along social and economic lines is, after all,

quite general. Take the situation in Germany, Hungary, and Italy, for example. After the War in all these countries there were revolutionary movements; former governments were overthrown. In Hungary for a time they had a Bolshevik government. In Italy the radical movement had gone so far that working men were seizing the factories to run them as working class institutions. In Germany the revolution in 1918 put the wage earning and proletariat classes into power. In practically all of these countries there was a feeling on the part of the new rulers that before the War they had been in the hands of the imperialists, and aristocrats, and capitalists, and that they had been greatly oppressed. They felt that now in seizing the power they had come into their own. They had achieved liberty, and they proposed, naturally enough, to take advantage of the situation and exercise their new power for their own good primarily, as they felt the former ruling classes had selfishly exercised their own power for their own good.

In consequence of this feeling they passed in most of these countries laws especially favorable to working men. Eight hours was made by law the length of the legal working day; and generally the law was rigidly enforced. As the value of the monetary unit depreciated, provisions were made by which wages should be increased *pro rata*. The taxes were so levied as to favor more than proportionately the less well-to-do, while an attempt was made to throw practically the entire burden of government on the rich. Feeling also that they had the opportunity of more or less evening up former inequalities and conditions, their industrial work was in many instances very much less efficient than before, so that eventually it became much more difficult for business enterprises to be successful. The normal output was not achieved.

Aside from this economic factor the factor of political jealousy became evident in many of the countries. There was a scramble for office on the part of the parties in power and even were given appointments in order to avoid the payment of doles to the unemployed. Very many people—more than was necessary for efficient work—were given government positions in the post office, telegraph, on the railroads, and elsewhere. Doubtless in many cases the number of employees was at least double what was required for efficient work.

In many instances also race jealousies made themselves felt. In Czecho-Slovakia, for example, the Slovaks believed that the Czechs, who had the control, were managing the government in their own interests as opposed to the Slovaks. In Jugo-Slavia there were similar jealousies between the Servians, the Slovenes, Croats, Montenegrins. Quite generally there was a strong anti-Semitic feeling.

Under these conditions we can see how bitter became the party feelings, and also how inefficient the government became, and with the government, in very many instances, the industries on which the government had to depend for its support.

#### SCARCITY OF CAPITAL

Naturally the property owners so far as possible, in order to avoid the overwhelming burden of taxes, many of which they considered unjust, put part of their earnings into the maintenance and development of their plants instead of declaring dividends, and as the risks became greater, especially in a country like Germany, the credits that would accumulate abroad from the export of products,

were retained abroad under various excuses and devices so that they could not be taken by the government. The result has been governmental bankruptcy, and in practically all of Europe, a very great scarcity of operating capital. The contests between the parties were felt to be struggles for personal freedom or for economic existence.

Against this extreme of democracy there naturally came a reaction. The people finally, within the last year or two, have come to realize that their economic conditions were not so good as they were before the War. In many instances they feel that they have been mistaken; and that after all the extreme popular government is not so safe and does not bring prosperity so surely as a stronger or more centralized government. There is less confidence in their legislative representatives than before. In consequence, we have seen in Italy, Mussolini. We see now in Austria and Hungary the financial affairs of the country practically in the hands of a foreign commissioner with almost dictatorial powers, appointed and supported under the leadership of the League of Nations, by the creditor nations of those countries. In Germany and in Poland the legislative bodies have conveyed, for considerable periods of time, full power to their cabinets to make laws by decree without reference to the Parliaments themselves. The golden mean of a normally functioning democracy has not been attained; but it is fair to say that the tendency today is strongly that way.

In international relations conditions if possible have been worse. The fear and hate and jealousies already existing in part before the War were greatly strengthened by the War and by the many outrages committed during that period. In consequence there have been tariff barriers and all sorts of restrictive regulations so hampering trade between the different countries that it has caused enormous losses. Moreover the fear and hatred have been such that the more far-sighted statesmen have been unable to bring about the changes required, and yet the pressure of economic necessity is slowly showing to all the peoples that there must come eventually a removal of these unwise restrictions.

Of course by far the most important of these international controversies has been that over the reparations to be paid by Germany to the Allied powers. The hatreds engendered by the War were very greatly increased by the occupation of the Ruhr by the French and Belgians. There is no need to attempt to weigh the relative value of the recriminating charges brought by the Germans against the French, and the French against the Germans for cruelties and misrepresentations and attempts on the part of each to ruin the other country, and so on. It is sufficient to note that the recriminations, the fear and the hatred have been greatly increased during the period of the occupation. Talks with both French and Germans in the Fall of 1922 and then again in the Fall and Winter of 1923 and 1924 after the occupation had been continued for nearly a year, showed a continually strengthening of the determination on both sides not to yield any advantage to the other, even though the refusal to yield might threaten, if not actually break the peace of Europe.

#### NO SOLUTION POSSIBLE WITHOUT U. S. MEDIATION

The attempts on the part of Great Britain to solve the difficulty served instead of bringing about a solution, merely to

(Continued on page 26)

# Assets or Liabilities?

## Patents and Trade Marks as Credit Factors

By Milton Wright

Munn & Company, New York, N. Y.

THE door labeled: "General Manager," opened, and Simpson walked in.

"How about Jones," demanded the Old Man. "Do we make up 100,000 of those collapsible radio loud speakers for him on credit or don't we? That'll set us back about \$30,000, you know, if he doesn't come through. My private opinion is, and it's not so private at that, that he has a heck of a nerve in asking us for credit."

"I'd recommend we let him have it," replied Simpson.

"Has he any orders for the stuff he wants us to make up?"

"No, but he has a patent."

"A what?"

"A patent. He thinks he can make a fortune on it, and I don't know but that he is right. At any rate, I'd be willing to back him to the limit."

"Just consider the facts: Radio, with the popular interest there is in it, probably offers as big opportunities for profit as any field one can name, provided a man can get a monopoly on some particular feature. Everybody is interested in radio. It won't be long before radios will pass out of the luxury class into the class of necessity, like telephones or getting married."

"People are getting so interested in radio that they want to have a receiving apparatus along with them wherever they are. If a family goes away to camp the first thing to be done is to pitch the tent and then rig up the antennae."

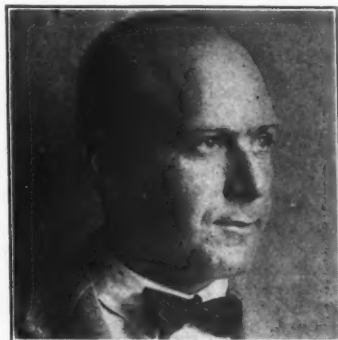
"Traveling salesmen have sets that go with them from city to city. Automobile tourists are beginning to take them along."

"Yes, but what has all this to do with Jones?"

"I'm coming to that. One of the handicaps to carting your radio about with you is the loud speaker attachment. It's bulky and cumbersome and often takes up more room in a fellow's baggage than all the rest of the apparatus put together. What has been needed, and what is going to be needed more and more, is a folding loud speaker that can be packed conveniently in a satchel. Jones has a patent on such a folding loud speaker. I've talked to radio shops and sporting goods men and I know that he can sell it. He can't pay for it now, but as soon as we make up the horns for him and he sends them out to the trade, he'll have far more money than he needs."

"But how about the competition?" asked the old man. "If the thing begins to be successful, every radio man will put out the same kind of an amplifier. Some of them will pay cash and they'll be able to undersell Jones. He has to demand a higher price, because he gets his stuff on time. Then there will be the fellows who'll put out similar folding amplifiers made of cheaper material."

"They can't," Simpson answered. "Jones has a patent—a mechanical patent. That protects him, doesn't it? There won't be



MILTON WRIGHT

any competition. There's a ready market; the radio men and sporting goods fellows tell me that. Jones has the market to himself; his patent takes care of that."

Do you see what happened—how Jones got his hundred thousand folding radio loud speakers on credit because he had a patent?

Well, you're mistaken. He didn't get them. Everything seemed bright until they began to look into the patent. It had a flaw in it.

Had Jones received his loud speakers there would have been such an army of imitators swarming through the loophole in the patent, such a ruthless price-cutting fight, that he never would have been able to catch up to his debts.

In Jones' case and thousands of other cases, a patent is the determining factor that turns the scale in the borrower's favor or against him. The patent, in such cases, may be just as definite and valuable an asset as bills receivable. On the other hand, the patent, although seemingly an asset, may, in reality, through its possibilities for inviting competition or involving expensive litigation, be a most embarrassing liability.

### GREAT VALUE OF SOME TRADE MARKS

Trade marks, too, are an important, though little understood, factor in estimating credit responsibility. Suppose, for example, to take an extreme case, the Royal Baking Powder plant should be totally destroyed by fire or some other catastrophe. The entire capital and resources of the corporation, let us suppose, have been entirely obliterated. The directors, preparing to build anew, would seek credit. Though they went with empty hands, they would get it. For they still would have one of the most valuable assets of the Royal Baking Powder Company—an asset no fire could destroy—their trade mark.

If a man in business has a patent or a trade mark, it is clear that that patent or trade mark may be an asset that is

worth something. How much it is worth depends in large measure upon how good it is, how valid, how well it will stand up under fire. And the better it is from a business-getting standpoint, the more it will be subject to attack.

In appraising the worth of a patent, it must be realized at the outset, that a patent does not give one the right to make and sell the article patented. What the patent does give is the right to exclude others from making and using the article. The holder of the patent does not have to make the article himself. He has a monopoly, but it is a monopoly that he need not use.

Eighty-five per cent. of our commercial and industrial life today rest upon patents. Patents are not only a foundation of our national wealth, but the foundation of many individual fortunes. If a man has a strong, broad patent on a necessary article, his chances of profit are good. If his patent claims are weak, that is to say, if they are too narrow, his chances of profit are small. A man may have a patent on an important invention, and yet the claims and descriptions may be so restricted that a rival, by a mere modification of details, might make the article in question without infringing the patent.

An article of manufacture, let us say, possesses merit. That merit results in the favor with which the public greets it. That favor creates a demand. The demand makes a market. The market brings competition. Competition determines the profit—the more competition, the less profit. How little competition there will be, and consequently how much profit, depends upon the patent. The more merit there is in the article, the greater will be the competition, unless the patent excludes it.

### CARELESSLY DRAWN PATENTS

It is a strict rule of patent practice that what the inventor does not claim in his patent "he dedicates to the public." If his patent is carelessly drawn, if the letters patent do not adequately cover the actual invention, he is virtually giving to his rivals the very things he should keep from them. He is inviting their competition rather than preventing it.

It is vital, then, that the business that rests upon patent rights should have those patents as hole-proof and competition-proof as expert knowledge can make them.

The same thing is true of trade marks. A man may adopt an individual brand to identify his wares and need never register it at the Patent Office. Such rights may be protected at common law; but if his business extends beyond the borders of his own state, the common law will not afford him protection of which he can conveniently avail himself. He needs to have his trade mark registered.

Like the patent, the trade mark must be able to stand a fight, if a fight should come. The line of attack will be made

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# A Bag Of Tricks

By F. R. Otte

Crown Ribbon & Carbon Co., Rochester

IN THE FIRST INSTALLMENT, printed last month, of Mr. Otte's story, of which this is the conclusion, we were introduced to Noel Johnson of the Flaxson Chemical Company. At a University Club luncheon, Noel learns from his chum, Merrill Tennison of the Commercial Bankers Trust Company that the bank is about to call upon the Flaxson Company for the repayment of a large loan "unless,—Noel Johnson is present at the next directors meeting." The meeting is to be presided over by Gordon Hilgartner, the avaricious head of the Company.

THE hour of three-thirty one week later. At a directors' meeting of the Flaxson Company. Merrill Tennison present, and by Tennison's urgent request Noel Johnson. Gordon Hilgartner speaking in his suave, fluent but now grave voice.

"Gentlemen," he said, "I have asked our bankers to increase our loan temporarily by another fifty thousand dollars in order to tide us over the present embarrassing situation. The company's assets are many times greater than the liabilities. But technically without ready cash—and during this period of business depression—we are technically insolvent. But the extreme seriousness of this situation as you must realize is only temporary. How great in the past has been our prosperity! How great in the future it will continue to be! Let us all put our shoulders to the wheel and meet the conflict of the present emergency."

Noel bit his lips as if he held back with the agony of effort words which sprang to his lips, words which pleaded for utterance; but he checked himself.

"And now," continued the president of The Flaxson Company, "I have been able to lay the situation before the Commercial Bankers Trust Company—loyal servants of this corporation; always on the right side, and our ever present help in time of need." He paused, beaming down on his comrades in business—mere puppets who danced whenever he wished to play them a favorite tune. "Mr. Tennison," he continued, "has the situation entirely in hand and will say a few words."

Gordon Hilgartner sat down. He felt that it was a good speech. He was a Falstaff in build and equally so in bluffing ability, that ability which could as much delude himself as his directors into construing success as failure and failure as success. But now he tapped his fingers lightly together with just that hint of a nervous misgiving. He resented the presence of Noel whose face during his speech had been like a frozen mask. He had compared it with the expression of the banker; but although he could on the one hand divine the thought entrenched in the mind of his credit manager, Tennison's immobility was inscrutable.

Tennison rose. He had come to act a part, a very definite part and now he wondered at the crucial moment whether

his acting ability would really stand him in good stead.

## THE BOMBSHELL

"My words are brief," he said in a calm even voice, "and I am afraid must strike you like a false note when linked to those last delightful remarks of your president. Your note, gentlemen, falls due a week from today. It is the will of the Trust Company's committee that it must be paid on or before that date."

"Paid!" Hilgartner sprang to his feet. "Paid!" he stammered, his face slowly turning ashen in the attempt to control his amazement and anger.

The directors looked in surprise from one to the other. Noel's face alone remained unchanged.

"Yes, paid," Tenny retorted blandly. "You have, I regret to say, killed the goose that laid the golden egg."

Consternation spread over Hilgartner's face. He looked at Noel, saw the rigidity of his expression and like a flash there seemed to awaken in him an understanding of the situation.

"Prove it!" he roared. "You talk like a maniac!" And as quickly he realized that this unharnessed display of temper was not an asset in a treacherous situation. He bit his tongue, more provoked at himself than he cared to believe in the realization that it was too late for retraction.

"But like a sane man I will prove it," said Tennison in a tone of sarcasm, as he pulled a sheet of paper from his pocket. And with an insight which was marvelous, with figures that startled even Noel into wondering where he could have obtained them, Merrill Tennison outlined for the directors such incriminating evidence that at times it seemed to test their very credulity, and they looked at their general manager in amazement.

"And now, gentlemen," he concluded, "there is not much left except a voluntary or involuntary receivership unless you can cover the note as it comes due, and raise approximately fifty thousand dollars to continue the company under competent management."

Hilgartner sat quiet. The cards were hopelessly stacked against him. And Noel looked up almost sympathetically. He was a beaten man incriminated before his own directors who now glared at him in silence, borne away by the astonishing facts of Tennison's startling disclosures.

It was Fullmore, a physician, who had grown wealthy in his practice and poor in his investments who finally spoke.

"Mr. Tennison," he said, "is there any way out of this?"

Tenny shook his head. "It's a bad situation," he admitted. "I am afraid worse than you even now suspect. Your business is of such a nature that actual bankruptcy would leave only partial funds for the payment of creditors—this is true even in the face of the fact that your assets are larger than your liabilities. Now it is my understanding that you directors purchased some time ago about one hundred and fifty thousand dollars

of preferred stock. Is that correct?"

The directors nodded.

"And I believe at a discount of twenty-five per cent. That is at a cost of seventy-five dollars per share. Am I correct?"

And again he received an affirmative reply as the doctor explained to him that such was the plan outlined by Hilgartner.

"Now then doctor," Tenny continued, "was a lawyer or a credit man consulted on that transaction?"

"No!"

"I thought not. If that had been done you would have been warned against its legality. You would have been told that in case of insolvency and the assets not fulfilling the liabilities, each one of you would be liable to the creditors for the twenty-five per cent. of your holdings as purchased under the preferred stock plan, or an approximate total of thirty-two thousand dollars to be split up among you for the benefit of your creditors."

Tenny paused a moment as he noted the look of distress among those who had been so innocently deluded into following Hilgartner's plan. In the course of his accusations he had taken several pot shots at the management each time with undeniable success, and now he quickly scored another as he hurled a question at the president of the Flaxson Company, to enquire:

"Mr. Hilgartner, were you aware of the law when you tempted these men to invest under the discount plan?"

Hilgartner savagely shook his head. It seemed for a moment that he had forgotten the presence or existence of Noel.

But Noel Johnson was instantly very much alive. Up to this moment he had kept a discreet silence. But the last falsehood was too much for him and he emphatically expressed himself.

"Gentlemen," he said, "I am sorry to deny that statement. The facts are that as soon as I heard of your plan, the legal aspect was presented to your president. I regret to say, however, that it was suggested that I mind my own business."

It was at this point that Tenny saw the opportunity he had been waiting for. He sat in this conference in a dual capacity; as a bank vice-president striving to correct existing evils which were rapidly leading one of their clients to chaos, and as a friend eager to repay to another a long standing debt.

"Mr. Johnson," he said when Noel finished, "has voiced one of those distressing circumstances which if not corrected must speedily bring the best of organizations to failure. I refer to that lack of harmony and agreement. Our bank directorate is well acquainted with Mr. Johnson. We are reminded that he grew up with this business under the training of your highly esteemed Mr. Flaxson. It is evident that he has had to struggle here under great problems which during the present management have been beyond his control.

"Your treasurer, and I say it openly, without apology—Mr. Hardy, is a mere

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*By William Gregg*

While there were attempts in some parts of the country to regulate the amount of exchange that a bank should deduct in paying its check at a distant point, each bank was a law unto itself. Banks with which out of town checks were deposited devised various schemes for avoiding payment of the exchange charge. Certain of the banks in the larger cities and in many of the smaller cities specialized in collecting checks at par, and by various reciprocal arrangements with banks in different parts of the country secured the payment of many country checks at par or at a mini-

**PAYABLE AT PAR**  
through Federal Reserve System

THIS METHOD OF DAILY SETTLEMENT  
REPLACES THE OLD, EXPENSIVE SETTLEMENT  
BY THE SHIPMENT OF GOLD & CURRENCY

The Federal Reserve check collection system has made the EXCHANGE CHARGE unnecessary & unjustifiable.

The Cypress bank may remit by a draft on funds in Birmingham, or by the shipment of currency at the expense of the Federal Reserve Bank. This eliminates any former cost of settlement at distant points.

### ROUTE OF A CHECK An Actual Instance

#### BEFORE the FEDERAL RESERVE

Check on Sag Harbor bank was deposited in Hoboken  
SENT TO BANK IN NEW YORK CITY—3 miles

THEN TO BANK IN BOSTON—200 "

To avoid payment of Exchange

THEN TO BANK IN TONAWANDA—405 "

To avoid payment of Exchange

THEN TO BANK IN ALBANY—210 "

To avoid payment of Exchange

THEN TO BANK IN PORT JEFFERSON—105 "

To avoid payment of Exchange

THEN TO BANK IN FAR ROCKAWAY—45 "

To avoid payment of Exchange

THEN TO BANK IN NEW YORK CITY—20 "

To avoid payment of Exchange

THEN TO BANK IN RIVERHEAD—75 "

To avoid payment of Exchange

THEN TO BANK IN LONG ISLAND CITY—70 "

THEN TO BANK IN SAG HARBOR—90 "

DISTANCE TRAVELLED  
1223 MILES  
TIME IN TRANSIT  
10 DAYS

#### UNDER the FEDERAL RESERVE SYSTEM

Distance 93 Miles

Collection time 2 Days

TO ENCOURAGE PAR PAYMENT through the Federal Reserve System more than 1500 Business Houses are already using these legends on their INVOICES & STATEMENTS

#### LEGEND No.1

SETTLEMENT MAY BE MADE BY ANY CHECK

**PAYABLE AT PAR**  
through Federal Reserve System

This legend is used by houses which formerly required settlement exclusively by New York, Chicago, or other city funds.

#### LEGEND No.2

WE PREFER SETTLEMENT IF CONVENIENT BY A CHECK

**PAYABLE AT PAR**  
through Federal Reserve System

This legend is used by houses which accept settlement by any check whether par or non-par.

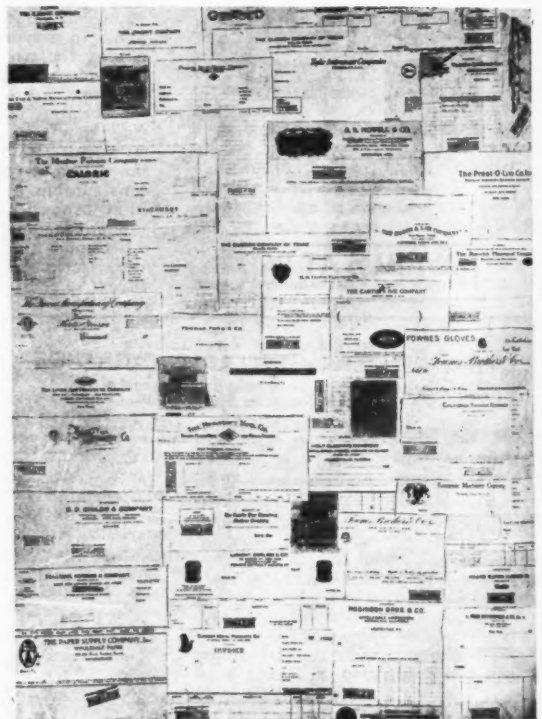
THE NATIONAL ASSOCIATION OF CREDIT MEN WANTS YOU TO JOIN IN THIS PLAN FOR THE RECOGNITION OF PAR CHECKS.

num of exchange. Other banks which received checks on which exchange was usually charged sent them direct to the town upon which they were drawn. A check was however often handled by four, five or even a dozen banks before payment was finally made. Each movement tended to slow up the process of collection and vastly increase the "float" of uncollected checks. Checks which might reasonably have been collected in two or three days frequently took a week or two.

Not only did the old system of collecting checks impose a heavy annual exchange charge on commerce, but it created a vast float of uncollected checks. The interest during the transit period on this float running into large sums was borne either by the banker or the business man. Slowness of collection involved risk, for a check continues as a credit until the funds it represents are actually in the hands of the depository bank. Every day of delay increases the danger of non-payment.

### WHAT THE FEDERAL RESERVE SYSTEM HAS DONE FOR CHECK COLLECTIONS

- 1 Has removed the need for Charging Exchange
- 2 Has led 90% of the banks to Pay their checks at Par
- 3 Has saved business Millions of Dollars in Exchange Charges
- 4 Has reduced the cost to banks & business of Collecting Checks
- 5 Has Cut in Half the time required to Collect Checks
- 6 Has Cut down the Volume of Uncollected checks or Floats
- 7 Has Reduced the risk of Non-payment



WILL YOU ALSO ADOPT THE N. A. C. M. SYMBOL ON YOUR INVOICES?

#### CENTRALIZED BANKING ESSENTIAL FOR ECONOMIC CHECK CLEARANCES

Despite the vigorous complaints of business men against the inconvenience, risk and cost imposed upon commerce, no real remedy could be applied until there was an established centralized banking system empowered to handle checks at par. The Federal Reserve Act was so drawn as to provide for such a system and for the handling of checks not only for mem-

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## What the National Association of Credit Men Does for Its Members

1. Publishes the CREDIT MONTHLY—the professional magazine of the credit man.
2. Publishes a National Membership Directory containing the names of 30,000 members.
3. Publishes a General Letter, a monthly review of current credit, business and economic topics written by the National Executive Manager.
4. Publishes at frequent intervals bulletins of vital interest to credit men.
5. Publishes and distributes to members pamphlets and leaflets on credit topics.
6. Publishes "The Credit Man's Dairy and Manual of Commercial Laws," available to members at \$3.50 a copy.
7. Conducts an Investigation and Prosecution Department which wages war on commercial crooks.
8. Publishes state and national legislation in the interest of progressive business. Has been instrumental in the passage of many valuable laws for stabilizing business, such as Bulk Sales Law, Bad Check Law, False Statement Act, Bankruptcy Law, Fictitious Name Law, etc.
9. Furnishes information on collection agencies without charge to members.
10. Supplies Trade Inquiry blanks for the interchange of credit information.
11. Supplies standard financial statement forms.
12. Conducts Credit Interchange Bureaus whose services are available to members on special contract. Through this nation-wide service members secure first-hand confidential, up-to-date information on customers.
13. Conducts a Foreign Credit Interchange Bureau in the National Office whose services are available to members on special contract.
14. Supplies Adjustment Bureau Service throughout the country when requested on  
Personal Investigations,  
Representation in Bankruptcies,  
Investigation of Compositions,  
Friendly Liquidations,  
Rehabilitation of Embarrassed Debtors,  
Collection of Delinquent Accounts.
15. Conducts educational courses in association cities through local chapters of the National Institute of Credit.
16. Conducts correspondence courses on business subjects through its National Institute of Credit at cost.
17. Answers hypothetical legal questions without charge.
18. Supplies firms with competent credit men on request, and assists credit men in locating themselves without charge.
19. Conducts local meetings, state conferences and National conventions on credit and business subjects.
20. Creates valuable friendships and confidences among credit men.
21. Assembles the experience of thousands to aid individual members in their business.
22. Undertakes for members on request special investigations regarding trade and market conditions.
23. Furnishes upon request information on problems relating to business, such as rates of turn-over, bad debt losses, operating expenses, etc.
24. Acts as a clearing house of information on credit and business problems.

*The above, as an 8x9 inch leaflet is available at the national office of the National Association of Credit Men, 41 Park Row, New York.*

# The Collection as a Sale

Salesmanship Applied by the Credit Executive

By J. N. Griffith

Assistant Credit Manager, The Standard Register Company, Dayton, Ohio.



IF you were trying to sell a Remwood Typewriter would you use the following letters?

## The First Letter

Dear Sir:

Attached is a picture of a Remwood Typewriter. You should have one in your business.

Shall we ship it by express or freight?

Cordially yours,

## Ten Days Later

Dear Sir:

April 1, we called your attention to a Remwood Typewriter. Why have we not heard from you?

May we have your order in ten days?

Yours very truly,

## Ten More Days

Dear Sir:

In line with our two previous letters, you should have a Remwood Typewriter.

It will be a great favor to us if you will let us have your order without delay.

Yours sincere'y,

## After the next Ten Days

(Telegram)

"If order not received in ten days will punch your nose."

The letters above may contain statements that are absolutely correct. They might draw orders from a few firms that know all about Remwood Typewriters, might draw an order from a timid gentle-

man here and there. Would you, however, consider adopting the series as form sales letters?

The same proposition applies to collection letters. Plain blunt requests and threats of dire punishment will not open John Smith's purse any sooner than letters along the line of those quoted above would make the original sale. Yet many are the firms that confine their collection efforts to the monotonous demand, "We want our money!" In fact the other day I heard the Credit Manager of a large concern say, "It doesn't require any brains to write a collection letter. After all, what we want is our money and the only way to get it is to ask for it until the debtor comes across."

## SELLING THE PAYMENT IDEA

There is another way, however, which in most businesses is worth trying. That is, selling the debtor the idea of prompt payment. The process of a collection is really that of influencing the debtor to do what he will not do of his own accord. What is this but salesmanship? Why cannot the same methods be employed as those used in influencing the prospect to put his name on the dotted line? Why shouldn't a collection letter be built up scientifically along the same lines as a sales letter?

A letter of this sort should, first of all, be built around a motive. When we do things the reason we do not want to do them usually goes back to self-interest, pride, ambition, humor, caution, vanity, or the sense of fair play.

These forces must be skillfully harnessed and directed, just as the force of electricity must be rendered effective by a battery or a dynamo.

A properly constructed letter should be arranged to (a) secure favorable attention, (b) hold interest, (c) awaken a desire to pay and (d) secure action.

(a) Attention may be secured by neat formation with lines not over four inches long, short sentences and short paragraphs; paragraphs of even one line are permissible. (This also aids greatly in holding interest.) Aside from purely mechanical details, considerable thought should be given to the opening sentence. It should be short but contain something a little out of the ordinary. Many a collection letter has been saved from the waste basket by an intriguing or unusual beginning. This of course excludes such platitudes as: "We note that we have not been favored with your remittance for \$49.36." "We do not understand why your account remains open for \$16.39" etc., etc.

(b) With the reader's attention secured, interest may be held by simple language, a little suspense as to just what the final sentence is going to request, and by the "you" attitude. It is better to talk about "you" than "I" and "we." The average debtor doesn't care a continental about "we need the money," we are having some heavy payments to meet" etc., etc. He is interested in himself and how his delinquency is going to affect him, and how he can figure out a way to pay up.

(c) Interest shades into desire to pay. At this point it is well to play up for all it is worth the one motive that dominates the letter. Suppose this motive is sense of fairness. The debtor should be made to feel how very unfair, unbusiness-like, and unethical it would be if the

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# Letters with Snap in Them

## Thoughts on the Contents and Form of Letters

By Edward F. Fane

**T**HE first idea behind every letter that a credit man dictates is to have the reader stop, look and listen. But how many of the daily quota of letters sent out by business houses actually register that effect?

As a familiar instance, try to analyze your reactions to the morning's mail, when you have opened and read the letters received. Note how few of your correspondents out of the many manage to effect the purpose they must have had in mind.

Consideration of complaints or disputes, collection of moneys or the furtherance of good will make up the class of correspondence that the credit department must deal with. Experience has shown that virtually every customer of a business house presents an individual problem in the matter of dealing with him, so that the use of standardized or form letters cannot solve the problem. The letter a credit man sends him is a substitute for a personal visit, a visit effective in proportion to the good impression made. For this reason, the head of a credit department, who in writing a customer can do what another man must make a call in person to accomplish, ranks unquestionably as one of the most important forces in a modern business organization.

Nearly every money-reminder letter has to hurdle obstacles before it accomplishes its purpose. Consider for example the inertia its reception, as a rule, encounters. The average letter runs about 150 to 200 words; a short letter around 100 words; the full-page letter may take 450 to 500 words. The average business man reads type at the rate of four to five words a second; at this speed he skims and absorbs the contents of a credit communication in a couple of minutes' time. He does this mechanically and it is only when his eye and mind are halted when flitting through the text that the thought of the writer is registered and awakens either approval or condemnation of what has been set down.

With the knowledge of this tendency to give skimpy, hurried attention to the letter he writes, how can the credit man be sure of focusing attention, provoking action and getting some sort of finality to the purpose of his message?

### PUTTING SNAP INTO THE LETTER

The financial man of a firm, noted for his well-written letters, said that the letters commended were like the answer Daniel Webster gave when asked how long he took to prepare his famous reply to Haynes, "I have spent years in preparing for that speech." Success in letter-writing he said was "a matter of constant practice, much study, a knowledge of the other fellow's business and an ability to place yourself in his shoes." He went on: "Take it in every day life, isn't it true that the last thought you leave with a man is the one he is most apt to remember you by? That is why I invariably use my final paragraph to drive home my message. These tail ends of the letter I emphasize for the same reason that you have a string

### HIGH COST OF WRITING

**H**AVE you ever figured the cost of letters you write? Excluding Sundays, holidays and vacation time, seven hours a day of work totals about 2,044 hours for the year. A \$5,000 executive spending fifteen minutes dictating a letter gives over 60 cents worth of time to the task. Then comes the physical cost, materials used, time of help and other items. Twenty-two factors, experts declare, make up the cost of the average letter. They include: Stenographer's time; stationery; carbon-wear; postage; depreciation of equipment; and overhead. Are we writing too many letters anyhow? More important, do the messages we dictate get the action we desire? There's profit in thinking this over.

—The Editor.

or piece of leather tied to the end of a whip in order to make it snap. You can't get the pop or emphasizing sound into your letter without tying a 'cracker' to it. A letter may start off well, but more often it trails off into a droning, wooden finish such as 'Trusting to receive an early reply,' or a still weaker finish such as 'Thanking you for your kind consideration' and similar bromidic phrases. Does anybody talk like that in real conversation?"

In commenting on this common error of using a stilted and artificial form of English in our business correspondence, an executive writing to a trade paper emphasized the need of a return to old time thoroughness and courtesy in preparing everyday letters. Nowadays, he said, dictation of machine made correspondence is too apt to fall into the "canned" English class. "Beg to reply," or "Deserving of same," does not really describe what the writer intended. We are too prone to repeat parrot-fashion, a sentence that at best but vaguely expresses our meaning.

### VALUE OF PLANNING LETTERS BEFOREHAND

One of the industrial companies bulking largest in its line in this country leaves nothing to chance in the letters their representatives send out. Written English is governed by definite principles; and in the book of instructions provided for correspondents, the right and wrong ways of composing a letter are pointed out. How important they consider the subject can be surmised from a quotation taken from the preface of the manual referred to:

"Two kinds of letters cross every desk; one,—paper, ink and formality, goes the way of the waste basket; the other,—logical and human in its appeal—draws the eye, grips attention, aways, convinces. One is the product of careless routine; the other of intelligent conscious creation. A strong letter springs from

the mind's-eye model as from the architect's drawing, the builders' bridge. Make your letters magnetic—make them stand out—make them dominate each reader's morning mail."

The value of planning first in order to ensure a letter having its thoughts most lastingly impressed on the reader's mind is stressed by the author of several text books on the subject who compares the procedure to the way an engineer builds—beginning by sketching out his plan and thinking it over to the last detail. "The mail," he says, "is too much cluttered up with letters written by those who have neither plan nor system in mind, and write as the coral insects build; period joins period, and only its Maker knows what the author means."

### DRESSING UP THE LETTER IMPORTANT

There is a sound understanding of human nature in the old saying that "merit must approach us in Sunday clothes or else go unheard." Goods well displayed we know are half sold, and the way a letter appeals to the eye, the mechanical set-off of the text, plays a deciding part in influencing the reader's mind.

Dressing up a letter involves alignment and spacing of the type. The typist builds her letter upon the four requirements every letter demands before the signature can be attached: the date, salutation, body of the letter, the complimentary close. This last essential is a traditional requirement said to follow the teachings of Quintilian: "Let there be nothing harsh or abrupt in the conclusion, for on the conclusion the mind pauses and rests. Here every one expects to be gratified." Whether or not the tradition is true, the practice is based on sound psychology.

Some good suggestions on the importance of type dress in the letter is given in the correspondence manual used by the industrial company referred to above:

"The mechanical make-up of the letter requires that it make an appeal to the eye by its symmetry. As all typed English must take, more or less, a geometrical form, the closer we approach a rectangular form the more acceptable it is to the eye."

"The date should never be followed by st, nd, rd, or th. These letters are unnecessary and in carbon copies are often confused with figures. The title of the addressee must not be omitted and should follow on the same line with the name. Another thing to watch out for, is the correct name of the company. Frequently the concern has in its title the word 'The.'"

### GOOD SPACING HELPS ATTRACT ATTENTION

Skillful indentation and spacing of paragraphs can make a common-place letter interest-creating. On the typewriter there are eighty-five characters and every one of these characters can be made to count in the furtherance of a firm's interest if proper thought is used by the typist. Capitalizing and spacing, when these will add to the weight of what is to be said, often gives good results with letters medi-



ocre as dictated, but when written with thought for effect are compelling of attention.

It is not only economy to single-space certain letters; but a letter more than four paragraphs long looks better that way. A double-spaced letter that goes over to a second page is not only a waste of paper but is also clumsy and untidy looking.

In dictating a letter where the idea is to have the message sink in, the proposition must be set forth in the briefest possible manner. To the reader a long paragraph seems a task to wade through.

It is hard to get the meaning of a long sentence; besides that, a short sentence is always easier to understand. In framing short sentences however, terseness must not be overdone. When a style of writing is too concise, it becomes monotonous, for we must remember the psychological fact that it is as easy for sentences to be too compact as for food to be too concentrated. After all, style in writing, as one master of English has defined it, is the choosing of words in a statement so that the sound reinforces the sense intended.

"Remember," said Herbert Spencer, "that the reader has at each moment but a limited amount of attention to give, and the more time and concentration it takes to receive and understand each sentence, the less time and attention can be given to the contained idea; and, more important, the less vividly will the ideas be conceived."

A good letter will be well-balanced in its reasoning, and to any one who has studied bookkeeping the sense in which the word balance is used will be readily understood. Too much balance, however, will make the letter stiff, or formal like two pages where not only do the footings tally, but where there are exactly the same number of lines and all the same length—A good bookkeeper rather enjoys drawing that oblique line which indicates that a short page balances with a long one.

#### PUNCTUATION AND SIGNATURES

The theory of punctuation is that it follows the laws that govern respiration in speaking. Note how, in speech, we pause from time to time. A comma corresponds to a slight pause in the conversation, a semi-colon to a longer pause, while the colon is like the break in a sentence preparatory to continuing with an explanation, the speaker stopping to take breath.

The correct use of quotation marks is easy to remember, if it be kept in mind that a quotation usually begins with a capital letter, and that a quotation used within a quotation has only one apostrophe or inverted comma, used to define it in place of the double marks of the original quotation.

One of the things in the business world that creates more hard feeling and unscriptural language than possibly any other item of business operation is the receipt of a letter from a new or strange house, the signature of which is not decipherable as far as identifying the writer is concerned.

A good practice, now considered correct business usage, given wide currency during the War by the Government, is typing the name of the sender of the letter in full, below the space where the signature is written in ink. This permits the signer to write as hurriedly as he wants to.

#### RULES FOR GOOD LETTER WRITING

An inquiry made among the professional letter writers, men who get fees of \$50, \$100, or \$125 for composing a mail-order or a sales-letter, revealed them as being

agreed that Mark Twain's rules for clear, explicit writing could not be improved upon as a guide for making the letter a highly effective instrument of expression:

"An author shall say what he proposes to say, not merely coming near it; use the right word and not its second cousin; eschew surplusage; not omit necessary details; avoid slovenliness of form; use good grammar and employ a simple, straightforward style."

Professor Edwin Herbert Lewis, an authority on business English, gives the following suggestions for guidance in constructing a good letter. He says that the general observance of these principles will enable the credit man to say what he has to say more effectively and secure more action from his dictated correspondence:

1. Avoid such an arrangement of words as may unintentionally produce an absurd or wrong effect; remember that the reader is to go over the letter in cold blood, and you will not be there to say, "That isn't what I meant."

## An Original Work on Letters

### An Expert's Comments on the Tregoe-Whyte Book

By J. T. Brown, Jr.

Haines, Jones & Cadbury, Philadelphia

**A** STRANGE thing indeed this language of ours! We are daily attaching to various words, ideas which are quite foreign to their original meanings. The writer confesses to this shortcoming as you will too if you are honest with yourself.

Should some one ask you to criticize a friend of whose estimable character you are convinced you would probably decline. Why? Because you have the same notion as most of us harbor, that criticism implies censure, picking flaws, and you have entirely overlooked the true significance of the word. Criticism (quoting Britannica now) is the art of judging the qualities and values of an aesthetic object, whether in literature or the fine arts.

Having read "Effective Collection Letters" "critically" in both the Britannical and popular sense, and finding few flaws to pick and much therein to praise, it is comforting to find that a "criticism" may still be written, which can only aim to point out the excellencies of Messrs J. H. Tregoe's and John Whyte's offering.

To readers of the CREDIT MONTHLY the admirable qualifications of the authors for the work they have undertaken will be obvious. It was also to be expected that a considerable degree of originality would be the result of their collaboration.

Briefly the book consists of an Introduction followed by six divisions of letters as follows:—

- 1—Good Wholesale Collection Letters.
- 2—Good Retail Collection Letters.
- 3—Exchanges of Correspondence on Past-due Accounts, Wholesale and Retail.
- 4—Collection Devices, "Stunt" Letters, and Humorous Letters.
- 5—Letter Sequences or Form Letters.
- 6—Poor Collection Letters, Wholesale and Retail.

#### READ THE INTRODUCTION!

If you would improve the quality of your collection correspondence, fail not

You can't send a man along to explain what you mean. Revision! That is your only safety. Go over your sentences as coldly as if they were your worst enemy's.

2. Put your main thought as your main proposition.
3. If you have two reasons as your main statement, put them together. Have them either precede or follow one another, but don't treat the main statement like a slice of meat in a sandwich.
4. Willful divergence from the main thought is to be guarded against. Try to carry the sentence through without unnecessary change of the subject or tense of it.
5. The tone of a letter is too important a factor to disregard. Sometimes it is hard for a man to detect the slight difference of tone in his own writing. We sometimes become so habituated to certain mixtures of good English and poor English that they do not seem to us mixtures. We hear a bit of slang and, in its using, it becomes so familiar to us that when we want a more dignified expression, that expression simply refuses to be recollected save with much effort.

to read the introduction, as you probably do not do with the average introductory paragraphs. While the book aims to teach more by example than precept, the unusually able treatise on letter writing which this introduction contains is worth not mere cursory reading, but careful studying.

Emphasis is laid upon visualizing your customer and individualizing and personalizing your letters to him. In this way only can you hope to have your collection letters approximate the ideal, which is natural, to so word your letters that they will obtain the payment of the past due account and at the same time retain the good will of the customer.

The authors have treated in very concise form the Psychology of a Good Collection letter, some Don'ts in Collection Letter Writing, the various appeals that may be justifiably used, and the use of the Psychological and Economic Moments to Collect Past Due Accounts (with illustrative charts). Some of the modern ideas, which are very interestingly discussed are those of Salesmanship and Business Service, the You Attitude and the proper length of a collection letter. In the latter connection the interesting fact is brought out that most credit men sin against brevity more frequently than against length.

The section on Retail Collection Letters explains and illustrates wherein such letters must of necessity differ from wholesale collection letters.

By far the greater portion of the book of over five hundred pages is given over to samples of actual letters, carefully selected from thousands gathered by the authors and printed only after a sifting and classification process. The sample letters are for the most part arranged singly with a brief comment opposite calling attention to its special appeal for a specific case.

A thoughtful reading of these letters alone constitutes by example a complete

course in collection letter writing. There are letters for all the situations which confront the credit or collection manager, indicating by actual reproduction the letters which have been successful in handling the given case.

Further than this, and still working on the principle that example is stronger than precept, an interesting collection of tactless, overdone and even humorously unsuccessful letters, has been assembled.

One feature which some collection experts have overemphasized is the personal interest letter. A two letter exchange which well indicates how this may be overdone is worth quoting.

February 1, 19—

The Debtor Company,  
Business Center, Mo.,  
Dear Mr. Debtor:—

I was interested to note in yesterday's paper the successful ending of the big drive in behalf of Wisdom College. Truly a remarkable achievement and one which will mean much to the youth of our land.

Knowing that a son of yours entered Wisdom College last fall, I was particularly interested in this news item. I sincerely compliment you upon selecting a college for your boy which has such splendid prospects and am sure you will be repaid many times over for your far-seeing efforts in behalf of his future, which we can well say is already assured.

By the way, Mr. Debtor, I notice there is a bill of \$50 which is considerably past due. Doubtless it has been overlooked. Can't we have your check by return mail? Thanks.  
Very truly yours.

February 6, 19—

The Creditor Company,  
Supply City, Ark.,  
Gentlemen:

I have your letter of the 1st, dictated by Mr. Creditor, whom I would not know from a bale of hay if I saw him. Just why he should concern himself with my personal affairs is a mystery to me. If he has any of his own I would advise him to attend to them.

I am enclosing my check which was made out and in the outgoing mail when his letter was received. I would have sent it before, but I had to go to this pin-headed college to get my fool son out of jail. I don't feel as certain as you do about his future, not by a lot. The endowment he and that college both need is brains. In fact, I wouldn't be surprised if that was your trouble.

Take a good look at the check, because it's the last one you'll get from me until your interest in my personal affairs subsides.  
Very truly yours,

The book is fully indexed. Many will doubtless be tempted to place a copy in the stenographer's hands and undertake to dictate collection letters by number. Those so tempted should remember the three "be" of the book.

Visual  
Individual IZE  
Personal

These samples of present day collection practice mark a big change from those in vogue a few years ago, just as the much closer collection of accounts today proves the correctness of the principles. To those who still hesitate to be straight forward in asking for money, who believe still in soft pedalling, pussy footing and sugar coating, this book clearly signals "Take Heed". If you are among the number read the book and be convinced. If you are not, read the book and bulwark your beliefs.

# The Idea-Getting Man

## A Careful Reader of Current Periodicals

By E. T. Fanning

OF the thirty odd thousand members of the Credit Men's Association there is not one individual, who, whether he has ever acknowledged it or not, will deny that business to prosper must be in receipt of a continuous stream of information, new ideas and facts. How many readers of this statement will question whether they have been helped on many occasions by noting a timely item in a magazine, newspaper or some other form of record? At this minute if the proposal were made and agreed to, what a sizeable collection of clippings could be furnished were the credit men of this country called upon to produce the collection tucked into the drawers of their desks, the material in their files, or what they are carrying around in their pockets! For this is notably an era in which the printed word is utilized by both the big and little men who are on the job.

The credit man must have all the facts he can gather. It is the backbone of his day's work. Consider, for example, the amount of material, correspondence and other documents entailed in the O. K.-ing of the order sent in by a new customer! And, this hunger for information ranges over an even wider field. Everywhere the individual successes among credit executives have proved to be the quickest, not only to profit from their own experiences, but also to have been just as keen to note how others work out their problems, and adapt the results reported to their own purpose and profit.

And this is true of every live head of an organization. New ideas, new facts, new methods are the breath and heartbeats of business. Not to know and use them signifies more than a neglect of so many opportunities; the man who thinks he can make a success of his business without using anybody's ideas but his own fails lamentably to realize how many good ideas there are.

In speaking recently on this subject the credit executive of a mercantile establishment in an eastern city said: "The credit man, more than any other official in an organization appreciates that business is undergoing constant changes with new standards of efficiency continually being introduced into every phase of business practice. Experience is effective, but neither quick nor economical. Reading the experiences of others as set out in the best books and magazines, articles written by men who have covered the ground themselves, together with a study of the principles underlying business and finance, increases his value to the house he is associated with, because it helps in achieving the maximum of results with the minimum of waste."

He declared the practice made one keener in mind. "In this search for information, one learns to appraise the kind of ideas to look for,—for instance, the idea which may promise to be far-reaching, although vaguely conceived, and likely to be abandoned through lack of sustaining data. The theory is that ideas well grounded will, of their own

inertia, take shape and demonstrate their practicability. The error in this reasoning is that the history of improved industrial methods tends to show that an idea to get into the market first must get a hot-house start."

In nearly every instance where the head of a large organization hires men for responsible positions, the things usually looked for first are the indications of initiative and imagination that make up the idea-getting man. New ideas are needed to make business go and the executive has to get them somehow. If he lacks the faculty of continuing to dig them from his own consciousness, as only a rare individual can do, he must get them from other men,—usually in printed form.

In one of the small towns of Ohio there is a man who started in business a few years ago with a capital of the "shoe-string" class. He has built up a million dollar a year trade, which he confesses to his intimate friends was based entirely on ideas borrowed right and left. He declares he *doesn't originate a new idea of his own once a year*—that is, one he can put into operation for his own business. When asked where he gets his ideas, he points to a huge scrap-book, filled with clippings taken from his business reading. He reads many times more magazines and trade papers than the average business man. These new ideas and suggestions, information too recent to have been included in books, appear in the business papers, the channels through which are transmitted the news affecting his interests and giving the latest methods and facts concerning the operation of business. He reads with the one question kept always in mind, "How can I use this in my business?"

## Have You Profited by These Articles?

THE CREDIT MONTHLY, during the twelve months including May, 1924, printed 33 articles on methods in the credit department. Since March, 1924, the Credit Methods Forum,—an immediate success,—has appeared monthly. In this forum credit men present their problems and solve those of their fellow professionals. There were 43 articles by the Editor; 41 Credoscope articles by Sec.-Treas. J. H. Tregoe; 34 general articles on credit including Credit Interchange and Bankruptcy administration. There were letters, articles, etc., by President Harding, Secretary Hoover, former Governors Lowden and Hoke Smith, Senator Glass, Governor Alfred E. Smith, General Lord, etc. There appeared 37 book reviews and articles on reading; 11 stories of Adjustments and commercial fraud; 20 articles on insurance; 17 on foreign credits; 9 on commercial law; 7 on farming credits; 6 each on taxation and the Federal Reserve System; 5 on banking and investments; and several letters from our Washington correspondent. The twelve issues were illustrated with photographic portraits, charts, drawings and 19 cartoons.

# You're Fired!

## A Hard Working Credit Man is Invited to Get Another Job

By E. B. Moran

THE credit man faces the General Manager. The latter is absolutely stumped. When he told McKinley Hall, his credit man, to find another position, he had expected Hall to close his desk and proceed to slip out of the organization very quietly. And now Hall, whose work up to a few weeks ago had been unsatisfactory, makes an analysis of each account! He picked up the report Hall had placed before him. The General Manager was really stalling for time, because he felt sure, now, that he had made an error in judgment in requesting Hall's resignation. But was it mistaken judgment? Or, had this requested resignation brought Hall to his feet; for it had been evident that since that very day, that the Old Man said to Hall, "You're fired!" his credit man Hall had been going to bat swinging three clubs and hitting for an average that would make any Major Leaguer feel proud.

But what was the cause? He found it hard to open the conversation, for he must not let Hall know his mind!

"Very nice, Hall, very nice, seems quite complete. And mighty thoughtful of you. Wasn't really expecting it. Yes, it's well prepared," said Becker deliberately, as he turned and scanned closely the several pages. Then turning toward his credit manager, he inquired, "Have

you any definite plans—that is, have you made any definite connection as yet?"

"No, not definite or final," responded Hall. "You see, sir, the truth is my past record as a constructive Credit Manager is not very well established. I probably will have to accept a position as an assistant for a while, at least until I force a recognition of my worth and ability to manage credits. Mr. Keefe, Secretary-Manager of the Credit Men's Association, has put me in touch with a concern—not one of the larger ones, but a good organi-

zation,—with which I expect to close a deal very promptly."

Secretly, Becker was mighty glad to know that Hall had not finally come to any agreement. He would talk candidly with Hall.

"An organization the size of ours," he began, "has a great many problems to solve. Here's a little list of some of the things that I am responsible for: financ-

man organization can grow to any size. Our growth,—in which I can't help taking a great deal of pride,—has been possible only because I have found the right man for each department.

"Now Hall," continued the Old Man, "you have been here three years. Three weeks ago when we had our last talk I had come to the conclusion that you were not the right man for our credit manager.

I thought that way because our losses were so large in the last two years. Each of these years we had a successful sales volume, but our losses offset our increase in sales and our net profit was less. I suspected you were not using the right sources of credit information. You were relying too much on opinion and recommendations. You were taking Montgomery's judgment as final whenever you had a hard case to decide. And while he is a fine sales manager, he is not a credit manager. He has not a credit manager's viewpoint. Few sales managers have. In his drive for sales he sometimes is too lenient about credits. And right there is where the credit manager comes in and protects his house, not by agreeing with the sales manager, but, when he is in the right, by disagreeing with him.

"The two essential elements of credit control are the establishment and the enforcement of credit limitations," continued Becker.

"These elements are so related to each other that no credit policy is complete which does not take both into consideration.

"Three weeks ago, Hall, I reached what I felt was a final conclusion, after deliberate study of the situation, that you, as my assistant in charge of the credits and collections of this organization, had failed to observe the two necessary elements. Up to that time, you had not

(Continued on page 35)

"A NEW JOB?—MAC,  
DEAR, YOU DON'T  
MEAN IT!"



ing, costs, merchandising, market fluctuations, insurance, sales, freight rates, budgetary control, advertising, distribution of overhead expense, depreciation, turnover, inventories, credits, keeping the board of directors satisfied—and many others. My greatest problem is naturally to get the right man for the head of each department. Men that I can have confidence in with but little supervision.

"No business, regardless of its size, can hope to succeed, Hall, unless it has the right men as department heads. No one-



# Foam from the Three C's

THE vacation season is over and a million employers sigh a million sighs of relief and take the afternoon off for golf.

The riot of freckles on the fair physiognomy of Mamie, the beautiful telephone operator, which have assumed the proportions of ginger snaps, are once more fading to a delicate *cafe au lait* shade; and Reginald, the office boy, no more rolls up his sleeves to exhibit with unconcealed pride a healthy tan, plus multitudinous mosquito bites acquired on the canoe trip.

The vacation is a great institution. To the office worker it is the one oasis on the desert of a year's grind, the plans for which are well under way before the Christmas fruit-cake has fully digested. The man who invented vacations had the idea that a rest would put the subject in shape for a better year's work. This theory has long since been exploded, for the present-day vacation constitutes a series of days crowded with amusements and diversions, and the vacationee, upon his or her return, needs at least two weeks to recuperate.

The economic loss from vacations can hardly be computed. For instance, what economist could determine the total loss to employers from the millions of summer romances? There is something about a moonlit beach with the gentle breeze from the sea which would soften the heart of even the most case-hardened misogynist.

To cite a practical example: Imagine what effect such a scene would have upon young Jones, a clerk in the law offices of Brown, Brown, Brown & Brown, who makes no claim to misogyny. The fact that Miss Sniffkins of Blumberg's Bargain Basement, who is seated at his side and the tendrils of whose super-blonde bobbed hair are gently tickling his rather prominent Adam's apple, would never place in a beauty contest, has little or no bearing on the situation. *Vice versa*, the young lady is entirely oblivious to the fact that young Jones has a slightly ingrowing chin and that his eyes at certain intervals look East and West simultaneously.

"What is it?" you ask. Why, the vacation spirit, of course. These two young people are intoxicated on the vacation spirit. Back in the city they could probably ride day in and day out jammed close together on the same street car and not register the flicker of a quickened heart beat; but here by the sea, where romance has sprung up like a weed under the rays of a July sun, the accidental contact of their fingers is sufficient to make them both go cold with goose flesh. They care for naught, and only know that life is sweet, love is grand and tomorrow is another day.

But now to return with a rude bump to grim reality. Young Jones finds his two weeks has flown by on lightning wings. He boards the last train on Sunday evening for home in a frame of mind similar to that of Napoleon on his trip to St. Helena. He is suffering from the results of vacation intoxication. In other words, he has a vacation hang-over. It will take at least two weeks in the office of Brown, Brown, Brown & Brown before he returns to earth sufficiently to know offhand the difference between a subpoena and a

brief case. This means that for a month he is a complete economic loss. As a matter of fact perhaps even worse than a loss, for in his comatose state, he may leave an "if" or an "and" out of some important document or inadvertently substitute the name of Miss Sniffkins in the will of the rich old Mr. Smith who is suffering from an acute case of galloping neuritis.

To turn the page, we find Miss Sniffkins again ensconced in the Bargain Basement, spending a good three hours a day regaling her friends with the wonders of Swelter Island in general and of one Mr. Jones in particular.

You see, it works both ways. In other words, the effect is much more deadly than the cause.

Harking back to our heroine and hero, Mr. Jones, after his first three or four calls, is beginning to realize that Miss Sniffkins, who seemed so delightfully plump in her bathing suit, is actually fat, and that her complexion which bore up manfully in the pale moonlight, is no match for the rays of a gas burner in a three room flat.

To be perfectly impartial, Miss Sniffkins, on the other hand, discovers that sans the stigmatic effect of sea breezes and a bad case of moonburn, Mr. Jones' chin is without question making a modest attempt to take shelter behind his Adam's apple, and that in certain lights his eyes undoubtedly take in widely diversified sections of the landscape. She also finds that although on the vacation he had been really profligate in the matter of ice-cream sodas and merry-go-round rides, back in the city even the broadest hints fail to lure him from the economical confines of the parlor sofa.

Thus, with mutual disillusionment Mr. Jones and Miss Sniffkins again become efficient contributors to the economic system.

Enough for the lurid details. Just multiply the case of Jones *vs.* Sniffkins by several million and you get a fair idea of what vacations mean to our economic structure. Economists shudder at the vacation waste and state sadly that the reason for this is as inexplicable as the motive of steamship companies in standing their ships on end against the Woolworth Building to measure them, instead of using the good old-fashioned tape measure.

Be that as it may, however, in the face of it all, vacations go merrily on their way and probably will until old Father Time trips over his beard.

B. B. T.

## Assets or Liabilities

(Continued from page 9)

along one or more of several well defined lines. The brand may be assailed as resembling another. For example, a man might use "Gold Drop" as a trade mark for washing powder. No credit man, however, would consider such a brand worth advancing a dollar on, for, if the Gold Dust Twins should jump on him, the "Gold Drop" would have to drop out.

A man's trade mark may be a descriptive term. Generally speaking, it would be bad for that reason alone, but not always. "Kantleek" was refused registration as a trade mark for a hot water bag. It was descriptive. Yet "Rubdry," applying to towels, has been held to be not descriptive, but merely suggestive, and therefore valid.

Take such trade marks as "Celluloid," "Vaseline" or "Kodak." To the average man nowadays they probably sound like descriptive terms. The fact is, however, that they are coined words and originally meant nothing. They were applied arbitrarily to the articles they designate. Advertising and use have made them what they are today. And how many millions do you think those three trade marks are worth? How heavily would they weigh in extending credit?

A man may use a geographical term as his trade mark. It may be bad because it is merely geographical. On the other hand, it may be entirely valid because it would be the use of a geographical term in an arbitrary sense. "Cloverdale" for canned fruits and vegetables and "French" for paint were refused registration as trade marks on the ground that they are geographical. On the other hand, Philadelphia Cream Cheese has been considered a valid trade mark. There are the valid geographical and descriptive marks, which, because of long and exclusive use, have acquired a secondary or trade mark significance, and are registrable under what is known as the "ten year clause." Manhattan shirts and Waltham watches are in this class.

And so it goes. The Trade Mark Law is simple in its principles, but complex in its application.

Patents and trade marks both contain wonderful possibilities for success or disaster. If there are flaws in them, they are pregnant with possibilities for loss; if they are legally sound they well may constitute assets of enormous value.

## Come and Get It!

AN unidentified reader of the CREDIT MONTHLY sends a clipping from an unknown publication containing the following letter which was received by a credit manager from a customer whom he had politely asked to remit:

"DEAR SIR.—We do not pay no bill by mail. You people have come and got the order, so come and got the money."

## Acrostics on C-R-E-D-I-T

THE CREDIT MONTHLY has received the following acrostics on the word, Credit, and invites further contributions of similar character:

C-lose  
R-elationship  
E-liminates  
D-ifficulties  
I-nvolving  
T-rade.

C-autious  
R-eflection  
E-asily  
D-oubles  
I-mportant  
T-ransactions.

C-o-operation  
R-elieves  
E-ndless  
D-ifficulties  
I-n  
T-rade.



# The Credoscope

By J. H. TREGOE

## AS TO EUROPE—DON'T BE IMPATIENT!

THE DAWES PLAN that must be accepted as the best way out by the Allied Governments and by Germany is a skillful piece of work and challenges our admiration in the participation of the three American master-minds that contributed so largely to its preparation.

More than five years have passed since the fatal day in Versailles when Germany's representatives accepted the dictates of the Allies. Little did we realize how great the turmoil that would follow, threatening to break the world's civilization.

There is one danger in our attitude toward the Dawes plan. It is in looking upon it as an immediate panacea and its acceptance as a solution of all difficult problems. Against this attitude it is well to sound a note of warning. The acceptance of the plan is merely the beginning of a new and a promising road out of the wilderness we have been wandering through in circles.

Differences of opinion in the application of the plan and in its administration in raising and transferring funds entering into reparation payments will undoubtedly occur. We must expect them. American genius has dealt nobly in devising the plan and American genius will surely assist in putting it through.

We must be patient in every phase of developments. No matter what difficulties may arise let us have quiet confidence that at last there is a way out for the restoration of Europe. We must not be impatient if developments seem not rapid enough or the good effects of the settlement on American business are not at once apparent.

## THE COST OF CREDIT ILLITERACY

THERE ARE VISIBLE AND INVISIBLE economic wastes. We can calculate with reasonable accuracy the losses accruing through insolvencies, but we cannot calculate with even approximate certainty the wastes of failures where the creditors suffered no loss but the original invest-

ment was either seriously impaired or entirely wiped out.

When a useful human life ceases to function through indifference or ignorance, there is an economic waste whose extent we cannot calculate with any certainty. If it were possible through some mysterious power to set down in figures what credit illiteracy has cost our Government alone, the figures would be astonishingly large. Let us narrate one instance:

The first bank of the United States operated with satisfaction and success. It performed its functions well, paid good dividends and served the Federal treasury. It ceased however to exist at the expiration of its charter because of a groundless political theory. The capital of this bank was returned to its owners. Seven millions of gold went abroad. The year after its dissolution the second war with England broke. We did not have any facility for centralizing our financial resources, the treasury was helpless, the credit of the Government was impaired, and short-term treasury notes and bonds of the face value of 80 millions ultimately realized approximately 34 millions.

Right through our financial history we can point to instances not quite so tragic but of similar significance whereby excessive costs occurred through ignorance of the uses of credit. We cannot dismiss the subject without speaking of our green-backs that were to be retired at the Resumption Act of '75, and by political pressure were continued in circulation and still circulate. They represent a sum of approximately 347 millions and to retain them in circulation the Government has paid more than 350 millions. In our large circulation they are no menace now but if ever our conditions approximated the situation that confronted President Cleveland in his second administration, they would prove again costly and absolutely unsound as a credit currency.

It pays to know the uses of credit and to attempt nothing that will violate its inherent and

inflexible principles. Our appeal is constantly made an urge for a better understanding of credit uses and the financial tragedies that must happen if follies are indulged and expediency takes the place of sound policies.

### A LESSON FROM OUR COMMERCIAL FAILURES

DURING JULY THE MERCANTILE AGENCIES report 1615 failures,—an increase of 384 over the same month of last year and a slight increase over the failures of June. During the seven months of 1923, the liabilities involved in the reported failures aggregate approximately 341 millions.

We wonder why, in our present ease of credit and narrowness of trade movements, failures should occur in such numbers. As we have pointed out before, failures are not indicative of trade movements. They are small usually when troubles are brewing and large when recuperation is under way.

After the tragic financial disturbance several years have been found necessary to clean up the wreckage as our financial history discloses, and though in 1920 when the trouble broke we were saved from what might have been the most disastrous panic the country ever passed through, yet the underlying causes were there. For the folly of the immediate post-war years we are still paying the penalty.

Let us indulge some comparisons. In 1819 our first serious financial distress occurred. In that year the circulation per person, according to a reliable authority, was \$9.78. This figure was not passed again until 1834. The second outstanding panic in our financial history broke in 1837. At that time the circulation was \$13.78 per person, and the bank loans stood at \$5.25 per person. The circulation of 1837 was not passed until 1854. The third panic took place in 1857. In that year our circulation was \$15.81 per person, and this was not passed until 1863, in the stress of the war period. The panic of 1873, the real force of which was not felt until the following year, found us with a circulation of \$18.13 per person that was not passed until 1880. In 1894 the circulation was \$24.28 per person, and was not passed until 1898. In 1908 the circulation was \$34.72 per person, and was not passed until 1915.

In the earliest disturbances we had not sufficient credit powers to recuperate rapidly. After 1896 we were learning more about credit uses, the value of co-operation, our foundations were better. Restoration therefore came more rapidly. For several years after each of these panic periods the failures were large numerically, but with diminishing liabilities.

We had expected a more rapid increase in our

commercial failures than has happened so far in 1924 but from the beginning of the disturbance believed that we would not have liquidated all of the causes and brought failures into normal figures until 1925.

The chief lesson of these periods is that financial follies command a high price, and to pay the bill requires time and patient effort.

### A THOUGHT ABOUT WORK

MID-SUMMER TURNS THE THOUGHTS from work, and it seems paradoxical for me on this mid-summer day to record words in praise of work.

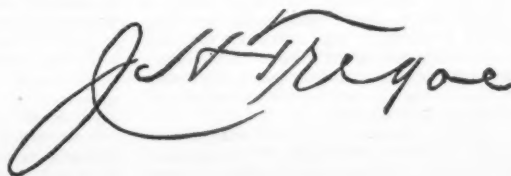
An eminent economist in a recent book, speaking of the pre-eminent aim of the socialist order as the elimination of the struggle of life, says: "Its ideal of the care-free and struggle-free world is neither attractive nor inspiring, desirable neither in its effect on happiness nor its effect on character."

Work is a blessing; good work is doubly a blessing. Work never killed anyone: it has proved the resurrection of many. Work, free of worry, is as stimulating as the upper atmosphere. If you do not believe this statement, give it a trial! We don't want to reach in our lives nor in our National career the period when our struggle is entirely over, when there are no incentives or objectives to bring out the best that is in us, and to make us feel proud of what we have accomplished. An oriental paradise, care-free and luxurious, should have no attractions for us. Work gives calmness to the hours, quietness to the soul and satisfaction to the heart when it is well and happily done.

It has been strange at times to find that when something was to be done the busy man could accomplish it while the man of leisure would find it too hard a task. The manner in which we use our hours, the manner in which we give them over to profitable work, the manner in which we approach our tasks, will determine the trend of our direction, and the real joy that life will give.

This may seem somewhat like a rhapsody instead of a business sentiment. I am looking forward to the season when the harvests are ripe and laborers must go forth into the vineyards.

The work of credits deserves the best that is in us and the most faithful work we can apply. Credits will never be struggle-free, will never offer a life of ease. Work alone will give us success and satisfaction.





# CREDIT METHODS FORUM



## A QUESTION ON SINGLE LEDGER RECORDS

**TO THE FORUM:** A large manufacturer of hardware declares that from 15 to 20 per cent. of his accounts each month in the manufacturing plant are for \$2.00 or less, being in the nature largely of service charges for repairs, etc.

The clerical cost of handling these accounts through the ledger is great, and he is searching to find an economical way of keeping a ledger record and establishing a follow-up collection system.

As similar conditions undoubtedly present themselves in many plants, an exchange of ideas on the subject will be profitable.

J. L. T.

## Developing Team Work Between Sales and Credits

**WHEN** a salesman sends in an order for a new account, with his record on the account, we follow the usual procedure in collecting credit information. If there is doubt as to the advisability of extending the credit, copies of all letters addressed to the customer are sent to the salesman. The salesman is thus advised about the credit department's progress in opening the account. And, because he is acquainted personally with the customer, the salesman will often write a letter which serves to complement the work of the credit department. Combined efforts may bring out the desired information.

When it comes to collections, especially if the account becomes past due, a copy of all letters to the customer are sent to the salesman that he may know what may be expected concerning the customer's order because of the over-due condition of the account.

The salesman, with this letter before him, may make it a point to secure a check from the customer, and the right salesman in a case like this may find a way of impressing upon the customer the advantages of paying his account with reasonable promptness.

If it is necessary to cancel orders, the salesmen is always advised and given the reason for the cancellation. In this way he gets the other side of the story and knows that the credit department is working with him. By keeping the salesman informed of all details with relation to his customer, he is inclined to co-operate and send in information that might be of interest to the credit department.

I have succeeded in this way in building up the team work between sales and credits to nearly ideal standards.

H. M. E.

## Method in Collections

**THERE** is, perhaps, no royal road to success in the collection of accounts. But it is certainly true that some men are better collectors than others. This happy result is probably due to some systematic method adopted, improved by practice, and persistently followed.

A simple method, free from complicated details is this: Following the sending of statements, a letter is sent to every account

that has past due items. The statement, as a matter of course, opens with the balance forward; the letter gives in detail both the debit and credit items making up this balance; the current month's items are entered in the letter in one amount, reference being made to the statement for detail. The letter serves a double purpose: The customer is in receipt of information which gives him the detail of his account, and at the same time it brings to his attention, in an orderly manner, *largely divested of any dunning characteristics*, the fact that his account is in arrears. It complements the formality of the monthly statement with the more intimate contact of a personal letter.

After the dispatch of these letters, a record is made of past due accounts. Within a reasonable time, if responses are not received, local customers are called by telephone, and a record made of their replies with dates. This is followed within a few days, and the same record made, so that during each month not less than three telephone calls will be made, in addition to the regular statement and the letter.

This method has the great advantage of being persistent and simple. The slow customer knows you are not forgetting him, and being known for your importunities, if for no more worthy reason, frequently secures for you most satisfactory results.

This method also keeps you in vivid contact with slow accounts. You have an immediately available record of promises made by telephone. A constant reminder of and reference to such promises, with their dates, tends to acquaint the slow account with the fact that you are not only keeping track of him, but that you are familiar with his oral promises.

This monthly record, kept up, soon becomes a helpful aid in reaching a decision when it begins to be apparent that an account must be closed.

S. A. C.

## Turnover versus 36% Interest

**E. R. A.'s** interesting article, "Paying 36 per cent. for Money," in the July CREDIT MONTHLY Forum opens a fascinating avenue for discussion.

If the choice is between terms of "ten days net" and "2% ten days," there is little room for differences of opinion. But the real problem evidently is the choice between "thirty days net" and "2% ten days, net thirty."

The argument against the discount is that more money is made on the account that pays promptly in thirty days on a net basis, than on the discount who takes off two per cent. in ten days; that "a concern in good credit standing or with ample capital cannot afford to borrow from its customers and pay thirty-six per cent. a year for money"; that "the cash discount is without any real basis."

Before stating the case in favor of the discount, the foregoing objections may be answered by noting the distinction between an item of *cost* and an item of *loss*; by the economic principle that in a normal business transaction a gain to one party does not necessarily entail a loss to the

other,—to say that the purchaser earns thirty-six per cent. is not to imply that the seller loses thirty-six per cent. or sustains any other loss.

Our view is that there is a very real basis for the cash discount, that the true principle of the cash discount is the time-honored principle of turnover. If all sales are discounted in ten days, a concern can do three times as much business with the same investment in accounts receivable as it could if all its sales were paid on strictly thirty day net terms. If its normal gross profit is, say, fifteen per cent. on sales, it realizes an additional thirty per cent. a month, or at the rate of three hundred sixty per cent. a year gross profit in return for the thirty-six per cent. interest it pays its customers by reason of permitting the cash discount. Such is the miracle of turnover!

We agree that if a concern is doing all the business it possibly could do in its field and still has available ample capital or credit facilities to increase its receivables three-fold, then it can well afford to eliminate the discount. But in the usual case, an efficient company operating on discount terms is employing all safely available capital and credit in its business; to discard the discount and yet maintain the same volume of sales would necessitate a three-fold expansion of receivables; how is this additional capital safely to be procured?

There are other factors, such as increased credit risks in accounts running beyond the discount period, greater opportunities for disputes, involved accounts, etc. But in the single principle of turnover, the cash discount is safely entrenched. In applying the principle to a given set of facts, the test is simple—the cash discount should be given when turnover can be correspondingly increased. And, by the same reasoning, the discount should not be taken when the turnover can be increased to an extent greater than the loss of discount. The principle of the cash discount is not variable, but its application varies with circumstances.

L. S. G.

## The Chattel Mortgage—Shall We Condemn It?

By K. O. Knox

Hoed Rubber Products Co., Inc., Atlanta, Ga.

**THE** protest against taking a chattel mortgage on a general stock of merchandise made by a fellow credit man written for the June CREDIT MONTHLY to my mind should not go unchallenged.

There is many a smaller dealer of considerable business ability and of strictly honorable intentions, who, because of lack of capital, cannot go forward and build up the volume of business he is capable of handling. When such a dealer is buying practically all

Here in the  
Credit Methods Forum  
GIVE your experience  
to your fellow profes-  
sionals, and  
RECEIVE advice that  
may be as valuable  
as anything you give

of his requirements from one jobber, stock of merchandise for the benefit of the jobber and obtain thereby additional capital in the form of stock. A Chattel Mortgage under such circumstances is given more in the form of an insurance policy, and to enable the jobber to grant more credit than the smaller dealer would be otherwise entitled to. This form of guarantee does not mean that an undue advantage over other jobbers is being taken, but it has the wholesome effect of preventing the smaller dealer from scattering his purchases.

Failures in business are oftentimes due to the dealer carrying duplicate stocks manufactured by concerns in similar lines of business. It would be bad business for a dealer to carry a stock of every article manufactured simply because there are occasional calls for the various articles. He should confine himself to one good standard line and build his success on his ability to sell this line and stand back of the production. The jobber can grant more credit to the dealer who does not scatter his purchases but confines himself to the particular jobber who is carrying him from a credit standpoint, and is most deeply interested in his success.

A Chattel Mortgage under the conditions described enables the jobber to keep the dealer supplied with stock at all times, and puts him in an advisory position with the buyer because the buyer's success depends so largely upon receiving sound advice and faithful assistance from the seller.

I cannot feel that selling under the protection of a Chattel Mortgage should receive sweeping condemnation.

### Bankrupts Resuming Business —Shall We Sell Them for Cash or Credit?

By E. S. Blake

Peninsular Naval Stores Co., Jacksonville, Fla.

A GROUP of credit men were discussing the proposal that a discharged bankrupt should be sold only for cash until after a thorough investigation had been made to determine whence he had derived the funds with which he was resuming business.

While I could not speak for the rest of the country, I presented incidents from the Florida standpoint, to show that the rule to sell for cash one who had just come out of bankruptcy should be applied there, for the exemption laws of Florida offer a constant invitation to go into bankruptcy for the purpose of enlarging one's estate by casting off annoying obligations.

That state affords an attractive field for the commercial crook because a man can exempt his homestead in the city regardless of its worth together with \$1,000 in personal property, or, if his home is in the country he can exempt 165 acres of land together with his home built thereon, also regardless of its worth, together with \$1,000 of personal property.

I offered an example of the workings of the exemption law in the case of a customer in Jacksonville but a few months ago. The customer had been on the books of my concern for eleven years and had always discounted his bills. Suddenly, he began to stretch his credit and in two weeks had in-

creased the number of his creditors from 12 to 31, and the amount of liabilities from \$1,200 to \$7,000. Then, through a lawyer, he issued a form of circular letter offering to compromise at 25c on the dollar. The offer was refused and he went into bankruptcy with liabilities of about \$6,800. An inventory was taken and it was found that fixtures and merchandise had dwindled to about \$1,500. The fact that the Federal Judge in the district presides over several courts and may be absent from Jacksonville a number of weeks tends to help the commercial crook in engineering his bankruptcy. He figures upon court movements to enable him to unload his merchandise before his door is padlocked.

The Jacksonville customer had apparently been carefully directed by his attorney, and while the case was pending awaiting the return of the Federal Judge, the assets had dwindled to such a point that he claimed exempt all that was left and paid nothing.

I told the group of another notorious case of bankruptcy exemption in Florida involving a home valued at \$40,000 with furnishings of about \$3,000, all of which was easily exempt through the appraisal of the furnishings at \$1,000.

Do not these examples give sufficient reason for adopting the principle of selling a bankrupt, who resumes business after his discharge, for cash only until he can prove where the money with which he started came from and can show that his former failure was not through any fraudulent act and that he had made no unfair exemption claims?

## Membership Directory A Tool of Trade

By I. Deutsch  
Steinfeld, Inc., N. Y.

IT is good news indeed that the new Directory of members of the National Association of Credit Men, containing as it does the names of thirty odd thousand credit executives, is now off the press and available for distribution at a nominal price at the National Office.

We have found the National Directory a credit man's tool of trade of very material value. There are times when we are confronted with a situation in the handling of our credits which is perplexing. This is particularly true when references, agency reports, attorney report and bank information is contradictory.

We then turn to the National Directory and single out one or two concerns located in the same town as the customer, preferably in an industry similar to ours, and write them. We state that we are members of the National Association of Credit Men and that we have taken their names from the National Directory. We advise just what information we have with regard to our customer and ask them to inform us of anything that isn't correct. We of course offer to reciprocate the courtesy.

The results we have obtained have been very satisfactory and you can therefore appreciate how enthusiastic we are in the knowledge that a Directory containing the names of new members will be at our disposal shortly.

## Extending the Service

By E. B. Moran

Mgr., Western Division Headquarters, N. A. C. M., Chicago,  
Mgr., Central Credit Interchange Bureau, St. Louis.

AS a means of increasing the service of the N. A. C. M. to the members of local associations in the section of which Chicago is the commercial centre, the Association on August 1 opened a Western Division Headquarters at 643-5 First National Bank Building, Chicago.

The writer has been placed in charge of this office, and E. H. Lothian, who for the past two years has been engaged in field work, and F. L. Howard, of the Investigation and Prosecution Department, will be connected with the office. This staff, small at the beginning, will be increased as demands necessitate and finances permit.

Assigned to the Western Division are Districts Nos. 4, 5, 6, 8, and Louisiana, Mississippi and Alabama of District No. 7.

The Western Division office is under the direction of a Board of Trustees, of which S. J. Whitlock, General Manager of Belding Brothers & Co., Chicago, Past President of the National Association of Credit Men, is chairman.

In the Chicago office, a Western Division of the Administrative Committee, under the chairmanship of the highest officer of the National Association of Credit Men located in the district, has been established.

A Western Division of the Advisory Council is being made up to consist of at least ten representatives appointed by the National Board of Directors.

In addition, there will be a Western Division of the Executive Committees on Bankruptcy, Banking and Currency, Credit Co-operation and Methods, Investigation and Prosecutions, Membership, Business Literature, and Business Meetings. Several of these committees met in Chicago during August.

The office in Chicago will be the meeting place for the National Committees on Credit Interchange and Adjustment Bureaus.

Executive Manager Tregoe, of the National Association, spends at least three days each month in the Western Division Headquarters.

This Western Division office established in Chicago is designed to be an inspiration to local Associations of credit men in this section. Careful surveys are to be made of good and unfavorable features of each Association in the district. All association officials are encouraged to seek advice and assistance through this medium.

While the major machinery of the work will continue to be located at the National Office in New York City, the Chicago office will be its direct representative, and serve as a medium to arouse interest and broaden the work of the various committees to bring out latent powers of the associations, and to provoke a pleasant and fruitful competition between the Eastern and Western Divisions.



## With The Editor



### Do You Classify Your Failure Cases?

**E**VERY man responsible for credits should make a study of his failure cases and endeavor to classify them in order to draw conclusions that will help him avoid repeating his mistakes.

What proportion of my failures was among the customers I have had on the books for a number of years? What proportion was drawn from customers who were comparatively new?

Another classification might be based on territories; another on sources from which orders came; another on lines of business. Figures based on all these classifications and others that will suggest themselves to the alert credit executive, will serve as guide posts along the rest of the way.

If, for instance, the losses are found to be among new customers, this will suggest that some way must be discovered to get more accurate information on concerns with which the credit man has had no personal experience. He will find, perhaps, that he has been giving too much weight to certain sources of information on new accounts and has not been applying checks against his principal source of information.

Possibly, too, he will find a method of canvassing more closely territories where new business is being sought and of anticipating with accurate information orders that will require quick attention.

We must have losses if we are to expand, but by classifying our failures under appropriate heads, we may be able better to control them.

### Budgeting Means Planning

**T**HE great thing about budgeting a business is that budgeting demands planning, and too many businesses are without definite plan or control. The proprietors may hazily set for themselves a ten or fifteen per cent. increase in business over the previous year; but in what departments the increase will be made and what effect on expenses, purchases, borrowings and profits this increase will have, they fail to calculate.

The budget tends to a more systematic operation of business. Systematic operation of business means as much in making for sound growth as orderly living makes for health in man, and for this reason the credit executive should

be a constant advocate of the budgeted business. One of the best services he can perform for his customers is to help them as an expert in drafting budgets appropriate to their lines and the various localities in which they operate.

If his concern has a house organ that reaches customers, his opportunity is at hand to chart average cases to show the principles of the budget and the results to be attained in controlling buying month by month and department by department, in meeting obligations, taking advantage of discounts and meeting expenses during off seasons with the least borrowing.

A form of budget can be made so simple as to be understood easily by the average retailer who may be attracted to its study and adoption by the submission of evidence that the carefully budgeted business is far more likely to be profitable than the business that feels its way along without the aid of a budget.

The budgeted business must become the rule rather than the rare exception.

### Bonding Irresponsible Contractors

**E**VERY line of business is subject to its peculiar irritations. It is, perhaps well that this is so; otherwise every father in his love for his boy would prepare him to enter the one line where all causes of irritation were absent, and the balance of things would thus be badly upset.

The building contractors are facing their peculiar irritation in the ease with which irresponsible contractors secure bonds for the faithful performance of their contracts. The ease with which these bonds are secured, they complain, has given these irresponsibles an unwarranted credit rating. The fact that these contractors can accompany their bids with bonds stamps them as responsible and makes it difficult for an engineer or an architect to disregard their figures. The results are that in the contracting world there are many concerns whose main object is to get by with inferior workmanship, and defaults are so common as to raise the general cost of surety bonds for all contractors who must be made to pay for the deficiencies of their unfair competitors.

The competition of the bonding companies for the business of contractors has, of course, lowered the plane of their dealings because to recoup themselves for having taken the dangerous

business offered by irresponsible contractors, their agents are said to be making a practice of offering settlements of claims with reductions of from five to twenty per cent., the companies in making their offer implying that if not accepted they are prepared to contest the claim in the courts.

The representatives of the contractors are taking up with surety companies all these evils which they can do so much to correct and are urging that the Character, Capacity and Capital of bidders be taken into consideration in the future. They declare that they must have the help of the surety companies to put the contracting business on a reputable, business-like basis.

### The London Adjustment

**T**O the business man the conference which, as these paragraphs are written, is apparently about to be concluded at London, is much more interesting than the conference that led to the Treaty of Versailles. To him the Versailles Treaty was a purely political document written under the heat and passion engendered by years of fearful carnage.

The adjustment between the Allies, and between the Allies and Germany, which has been the subject of the London conference for the past few weeks, has been firmly kept within economic bounds. The questions discussed have all been within the comprehension of business men, even to the sanctions which were for so long a subject of debate.

For America's part in the economic arrangement which is being concluded, we may be most grateful, and especially for the spirit with which our help was given, free as it was from bluster or demands, as the nations for the first time faced stern facts and conditions instead of theories that had been stubbornly held.

Never before have economic facts been faced in such mass and never have such multitudes of men had so personal an interest in a vast economic solution. The will to meet the solution, however, is the main thing and everywhere, in all lands, the will seems now to have taken hold of men, to have steeled them to meet the responsibilities that the London conference has laid upon all nations including, we should be happy to feel, the United States.

The secret of success of the London conference has been the fact that the nations have approached each other with a patience and reasonableness not possible until now. This spirit toward each other must continue as the machinery for carrying out the conclusions of the conference is set up and put in operation.





## Ledger, Statement and Proof

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## The Great Adjustment Case

(Continued from page 8)

bring Great Britain more intimately into the conflict, and apparently to endanger to the utmost the Franco-British Entente.

It was perfectly evident that the problems could not be solved without a mediator, and it became equally evident to all parties that that mediator must be the United States. How was such mediation to be brought about?

Fortunately the United States Government had been following this situation with the greatest earnestness from the time of the Peace Treaty. Although there had been sharp differences of opinion between the leaders of the different parties as to ways in which the United States might help, there was unanimity of opinion that the United States must in some way or other, whenever opportunity afforded, assist Europe to find some way out of her difficulties. The direct suggestion of a method was made by Secretary of State Hughes at New Haven, Connecticut, December 29, 1922, when he suggested that "men of the highest authority and finance in their respective countries, men of such prestige, experience and honor that their agreement upon the amount to be paid and upon the financial plan for working out the payments would be accepted throughout the world as the most authoritative expression obtainable" should be invited by the governments interested to make a study along the lines indicated. At first the Allies, especially France, were not inclined to accept such a suggestion. The French Government felt that direct pressure should be brought to bear upon Germany through the invasion of the Ruhr. It was only after the unsuccessful experience of nearly a year that finally the countries came back to this suggestion of Secretary Hughes; and after one or two vain attempts to find a formula which would prove acceptable to the United States as something that was really practicable, the Dawes Commission was created with the results that we are seeing today.

A little thought makes clear the reason why America must be the mediator. First any financial plan to be successful under European conditions, must have the strongest possible financial backing, and in the present state of world affairs that backing must come from the United States. Strong as is Great Britain, she is already so burdened with other demands that she cannot handle alone the financing of Europe. In America is an abundance of capital, however, for such enterprises, and there is in America also a willingness on the part of our financiers and our investors to help finance Europe, provided it can be done not only safely but in such a way as to insure success. To pay out money to Europe that may be misapplied in the way of preparation for future wars, does not appeal to America. The spending of the money in such a way that it will tend to insure prosperity and especially peace in the future, does appeal to America.

### WHY UNCLE SAM IS IDEAL MEDIATOR

Second, the mediator must be free from suspicion of attempting to control European politics or to take an active part with any European group as against any others. Here again only America can serve the purpose. A leading statesman of Turkey said to me in the summer of 1923 that whenever an Italian or French or British business man or politician wished to discuss with them any concession or loan or other financial matter, they always asked

themselves the question, "What political advantage is he seeking now?" but when similar questions came from an American, they had no fear that a political advantage was sought—only normal business profits needed to be considered.

Similar expressions phrased in different ways have come to me from nearly all of the countries of Europe that are seeking credits. Italy, Bulgaria, Hungary, Poland, Germany—all of them prefer, if it can be arranged, American capital and American credits, because they believe that from America they need not fear any political aggression, and they are willing to pay normal business profits. Without the American representatives in the Conference also, it would not have been possible for Germany to have had the influence that was absolutely essential in helping work out a plan if the plan were to prove workable. With the harmonizing influence of the United States, each of the countries, including Germany, had the opportunity of presenting its case and of having its arguments weighed impartially. It was an achievement that reflects the greatest possible credit upon the American representatives that the whole spirit of the Conference was one of tolerance and open-mindedness, and willingness to do the just thing; and yet, of course, the Americans realized that all political feeling could not be eliminated and that each representative must of necessity consider first the welfare of his own country.

The plan has been made; the plan has been accepted; most of the details have been worked out for putting the plan into effect. It is very noticeable again that in the London Conference the Americans have played a notable part, especially in the way of suggestion, compromise, and recommendation in the interests and welfare of all, and also that in the committees which under the plan have been appointed, and are to be appointed, Americans are to play a most important part.

### What May Come from Operation of Dawes Plan

AND what may we anticipate from this great adjustment case? The debtor of course, cannot have his affairs wound up. The receivers must see to it that the debtor continues business. Moreover, if the debtor is to pay his obligations, his business must be put into good shape, and must grow and flourish. Here again, as in most business enterprises, the work of continuing and rebuilding can be best done by the debtor himself, provided he is intelligent, and especially if he is honest and working in good faith. No one questions the business intelligence, the administrative ability of Germany, whether we consider the government or the business men. Heretofore it has been her good faith that has been questioned. What does the Dawes plan provide here? In the first place it was in the minds of the most influential members of the Dawes Commission that if the plan were to be successful, it must be so drawn that the interests of Germany and those of the Allies would work in the same direction; that the plan which would result in a sure payment of reparations would also of necessity build up Germany and encourage German business men. It is believed that the present plan will have this result. Moreover in the payment of the reparations by Germany to the Allies, the interests of all parties have been safeguarded. It is easily conceivable that exports from Germany might be so directed that they would prove harmful to the industries of some of the Allies. It is easily conceivable that the remitting of large sums in

either cash or credit forms might be so handled as to upset the monetary and financial structure of Germany. Both these dangers have been guarded against in the plan, and inasmuch as the conditions are dynamic and also pertain to the future so that they cannot be fully known in advance, provision has been made through the appointment of various commissions, for the adjustment of the plan to meet new conditions as they arise, and these adjustments are to be made by international bodies of experts who will keep in mind the welfare of Europe as a whole.

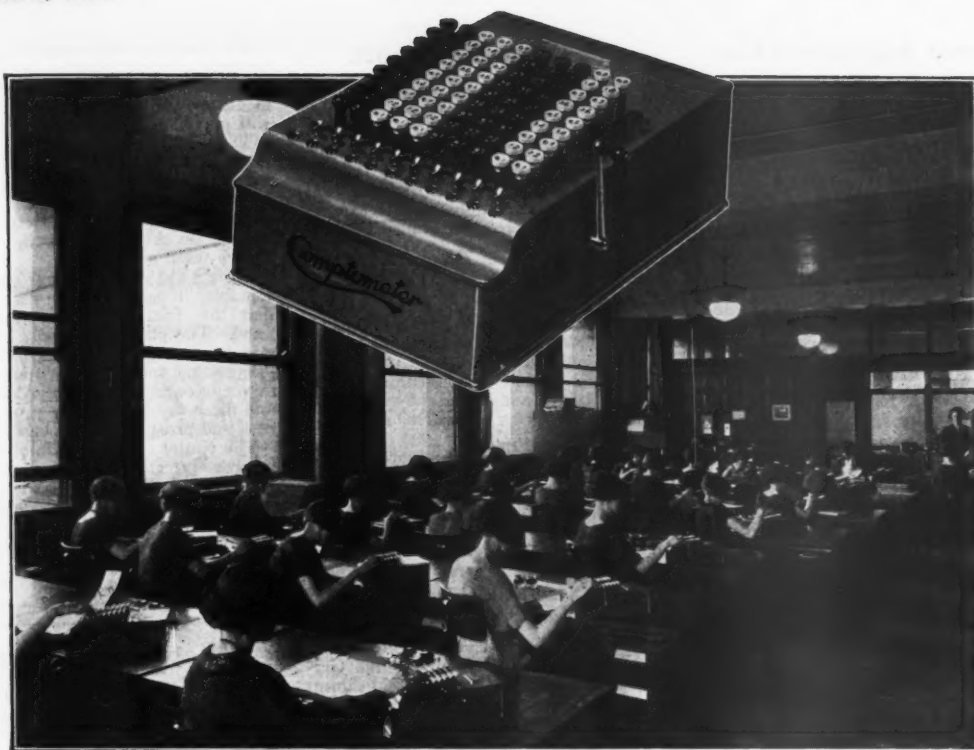
With this flexibility in the plan itself, we need have no fear of failure. The only question to be considered is the extent of the success of the plan and the rapidity with which it can bring results.

The conditions in Europe, especially in Germany today, are such that it is extremely desirable that the plan be put into effect at the earliest possible moment. The loan provided for to put the new Gold Bank of Germany on its feet and to care for the initial payment of reparations in kind, will doubtless be promptly subscribed. The people who will have to float these bonds have seen to it that they are given a priority claim to an extent that will insure their safety. The same principles will of course be applied with reference to future investments that will be offered in the various fields covered by the plan; and it is for the interests of the business men of America, as well as of the rest of the world, that they do their full part in buying such securities.

This, however, is only part of the opportunity. Entirely aside from the credits and investments offered under the plan, there are, as has been intimated, many excellent opportunities for investment of American capital in various lines of business throughout Europe. It will help more in solving the exchange problems as well as in promoting the welfare of Europe, if Americans invest not primarily in bonds, the interest on which will be brought to America for investment here, but if American investments can be made on a very large scale directly in the properties and in the various lines of business themselves, so that Americans will have a direct hand in the administration and working of business in Europe. This will bring larger returns, it will have the result of giving to Americans a much more intimate insight into the business and political conditions in Europe than they now have, and this naturally is extremely desirable. Within the last year I have had the heads of several large American investment houses say to me that they knew so little about conditions on the continent of Europe that they hardly dared recommend investments. They would rather associate themselves with British or Dutch capitalists and make investments on their judgment. In the years to come the leading American business men should have sufficient knowledge to make their own judgments. They will get this knowledge if they enter directly into business in Europe. Moreover, from the viewpoint of both our own country and the countries concerned, it is best to have Americans more closely associated with their business affairs. The day has gone by for national isolation. International association must be closer, and it will be very much safer if business men as well as statesmen know intimately the affairs of the various countries concerned.

The fact that our government was so completely and ably represented in Lon-

(Continued on page 28)



Comptometer Dept., Crowley-Milner Co., Detroit, Mich.

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*It represents one of the two batteries in the accounting departments of Crowley-Milner & Co.'s Department Store, Detroit, which combined number 52 Comptometers.*

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**Only the  
Comptometer  
has the  
Controlled-key  
safeguard**



## The Great Adjustment Case

(Continued from page 26)

don at the time of the Conference, even though in good part unofficially, shows that our government appreciates the importance of that Conference and the opportunities offered to America. American business men will do well to support our government in these matters, especially in thus taking the part suggested. There has been much needless feeling aroused over the technique of the League of Nations and the association of our country with that. It makes little difference whether we work through the League or outside the League. The essential thing is that we work. In many respects, as I think the experience with the Dawes plan shows, it is very fortunate that we have kept out of the European controversies so much that Europe trusts our impartiality. It is essential that we maintain that reputation. It is also a fact, of course, that we have done much good work with the League of Nations along certain non-political lines, such as helping in the solution of the opium problem. We must not let ourselves be frightened by a word, whether that word be "League" or "peace" or "war". We should go boldly and now rather rapidly forward in taking our full part in helping Europe out of her difficulties. That part will be most easily taken if we put the emphasis upon freedom from political entanglements with intelligent and large participation in European business both in connection with the Dawes plan, and in the other enterprises that come to American business men as matters of private financing.

## The Dawes Report Declaration at Buffalo, June, 1924

THE greatest hope for a return to economic peace in Europe since 1914 is found in the report made April 6, 1924, to the Allied Reparations Commission, by the Committee of experts headed by Br'g. Gen. Charles G. Dawes.

Now when credit men are interested in the case of a bankrupt debtor who is to be continued in business, the procedure is: *First*, to uncover all information as to assets, liabilities, state of the business and ability to pay, *second*, devise a plan that is fair to the creditors and debtor and the public at large; and *third*, shape this plan in such a manner as to be acceptable to all concerned.

Similar business-like procedure is inescapable in the case of Germany, the greatest bankrupt debtor in history. The Dawes report provides the procedure because the report is the result of daily scientific labors extending over several months, applied by an imposing array of American and European business men and economists to whom every channel of information was wide open.

*Second*: the plan formulated calls for an immediate \$200,000,000 loan to give Germany working capital. The establishment of a German bank of issue, managed by Germans and supervised by a board consisting of seven Germans and seven foreigners, in which reparation payments are to be accumulated; the stabilization of German currency; the mortgaging of the now unencumbered German railroads and of certain industries, excepting agricul-

ture; taxes on revenues from transport, customs, alcohol, tobacco, beer and sugar; and finally the transfer of reparation payments out of Germany in such a way as will not disturb the credit of the country.

The plan, when in full force, is designed to produce annual payments by Germany amounting to \$650,000,000, plus further payments or reductions, not determined, but based on an index of German prosperity and on the ability of the creditors to absorb these payments.

*Third*: the plan is, so far, generally acceptable, in spite of the regrettable fact that the final aggregate amount is not fixed. The plan is avowedly based on the principle not of inflicting penalties but of "suggesting means for assisting the economic recovery of all European peoples and the entry upon a new period of happiness and prosperity unmenaced by war."

The National Association of Credit Men records its enthusiastic approval of the Dawes plan. The Association also confesses to a feeling of pride that American business statesmanship, intelligence and good will, have so largely shaped this plan, which if loyally carried out, will bring real peace and prosperity to Europe and to the world.

## Between the Lines

READING BETWEEN THE LINES. Series of three articles. (Harry W. Mann, Treas., Griggs, Cooper & Co., St. Paul). Bulletin of St. Paul Ass'n. of Credit Men, St. Paul, Minn., 1924, 4 pp.

Editor Henry S. Mills, of McKibbin, Driscoll & Dorsey, Inc., has been publishing in the Credit Man, the lively bulletin of the St. Paul Association of Credit Men, a series of breezy articles on the analysis of financial statements. The articles are based on the balance sheet of a partnership or corporation and do not apply to a small country store. Among other points, the author makes the following:

Cash and Accounts Receivable almost tell the whole story. We wonder how this firm stands with their banker, how much of a balance do they carry, do they borrow of him—What is the story told by their check book? Are the bank statements reconciled? Any post-dated checks? About how much is the average daily deposits? Is their personal account included?

As to accounts receivable—Oh boy! here's pickings for collectors, lawyers and adjusters. The average credit man might value the receivables of the average store at from 50 to 75%—how do they "age"? What proportion one, two, three months old and over that? Are the goods sold direct to the consumer or for productive purposes? How much loss is included in this item of "accounts receivable"? Admitting that everything is written off does the amount show a reasonable turnover or is it out of proportion to the average monthly sales?

The net profits of the business are largely determined by the turn-over.

Other CURRENT ASSETS depend on the business. We always like to suggest that corporation insurance has a cash value after a few years, and has a tremendous moral value for the creditors and stockholders.

It is better to show in the margin FURNITURE and FIXTURES at original value less depreciations charged off. This gives a feeling of conservatism.



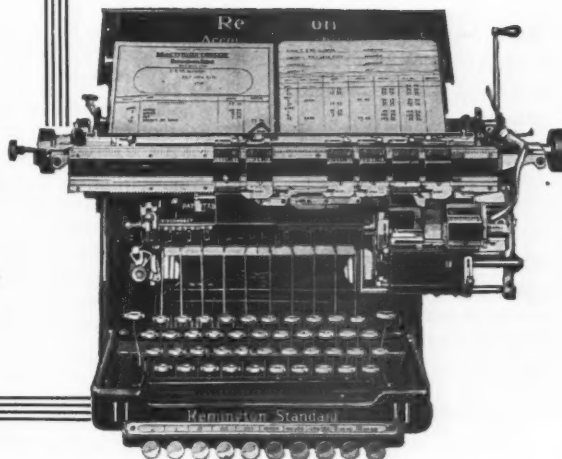
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### The Collection as a Sale

(Continued from Page 14)

creditor should be forced to carry the account another day.

(d) Securing action, the climax of the entire letter, is now reached. This part of the letter should not be in the form of an anti-climax nor leave any doubt in the debtor's mind concerning the amount and the date payment is expected. It should be strong, positive, and definite. Above all it should not dwindle off into an apologetic "hoping to receive a check at your early convenience, we remain."

### SALESMANSHIP PRINCIPLES

Thus a collection is a sale and the principles of salesmanship apply. Following are a few letters based on this idea. All are form letters. The first two, which are mere notices may be multi-graphed; they need not be disguised as personal letters. The others should be typed and every expression of a personal letter given. In most instances, I would suggest four form letters followed by a longer, personally dictated letter, then a terse note threatening suit, a final wire and then suit. The fifth letter may be very personal. It should, if possible, speak to the debtor in terms of his own business, his own city and his own problems.

#### No. 1

Gentlemen:

The invoice shown below has not been paid.

You will recall the order was shipped under terms of 1% ten days, net 30, hence it is now overdue.

If remittance has not been mailed may we have your check by April 15?

Yours sincerely,

Credit Manager.

March 15, 1924-78976-\$89.76.

#### No. 2

Gentlemen:

You have not yet sent us your check for \$89.76 to cover invoice No. 78976 dated March 15, about which we wrote you ten days ago.

Every day you allow us to carry the account after it is due you are taking a deduction to which you are not entitled.

That is hardly fair, is it?

We know you feel this way about it, and will let us have a remittance at once.

Very truly yours,

Credit Manager.

### CREDIT MONTHLY

#### No. 3

Dear Sir: [or Gentlemen:]

You are not giving us co-operation. There must be good reasons causing you to ignore the two form reminders we sent you regarding the \$89.76 you owe us on our invoice of March 15, 1924. Surely the goods are satisfactory or you would have told us. We also feel that we have kept our part of the contract, and naturally expect you to perform your part. That is only fair, isn't it?

Now if there is any reason, Mr. Jones, [or gentlemen,] why you cannot pay the entire invoice, let us have a check for half the amount and drop us a note explaining just what you are up against. Your confidence in us will warrant our confidence in you.

The enclosed stamped envelope is for your convenience.

Very truly yours,

Credit Manager.

#### No. 3-A

(on amounts less than \$10.00)

Gentlemen:

Your register system wouldn't be of much use to you without the [carbon binders, etc.] shipped you January 2, would it? You received some value for which we haven't received our pay. The amount of \$6.50 is small and can cause you no inconvenience to pay.

If you feel this way about it, send along your check in the enclosed envelope.

Very truly yours,

Credit Manager.

#### No. 4

Gentlemen:

Mr. Brown, our Credit Manager, wants to know what to do with your account.

Frankly, Mr. Jones [or gentlemen] I don't know. You have ignored two form letters and Mr. Brown's letter of February 14. You will give us no evidence of good faith.

From information we have about your business and your management we felt your credit was entirely good for the \$89.76 you owe us on our invoice of March 15. Naturally we don't want to jump at the conclusion that your account should be referred to our attorneys. It must have attention, however, at once.

Your check will be expected by return mail.

Yours very truly,

Treasurer.

#### No. 4-A

(on amounts less than \$10.00)

Gentlemen:

Job said:

"All my appointed time will I wait until my change come."

Job waited and his change came. Now, gentlemen, when it comes to patience we run Job a close second.

We have waited our appointed time for the \$6.50 you owe us, but our "change" hasn't come yet.

Will you co-operate with us within the next ten days?

Yours very truly,

Credit Manager.

# Check Clearance in Federal Reserve Banking System

(Continued from Page 12)

ber banks but for non-member banks on a par basis.

One of the fundamental advantages in a centralized clearance system is to reduce the time of collection of check items to the lowest point. Instead of the circuitous routing of checks which prevailed before the Federal Reserve, all checks are sent directly by the Federal Reserve Bank as it receives them to the bank upon which they are drawn, or if they are in another district, to the Federal Reserve Bank in that district for direct presentation to the drawee bank. These checks may be paid by the bank drawn upon either by draft upon its Federal Reserve Bank, or by draft upon a bank located in a Federal Reserve City or Federal Reserve branch city. The Federal Reserve Bank in turn gives immediate credit for the check as soon as payment has been received anywhere in the Federal Reserve system.

The various Federal Reserve Banks have established at important centers in their districts branches through which collections are made instead of through the central office of the district, and the Federal Reserve Banks are constantly studying ways and means of reducing the time of the collection of checks so that the period between the receipt of a check by the Federal Reserve Bank or its branch, and the crediting of the check to the account of the forwarding bank on the books of the Federal Reserve, will be as brief as possible.

The Reserve Bank receives checks from the banks in its territory on deposit without charge or deduction and gives the depositing member bank credit at face value as soon as payment has been received from the bank upon which the item is drawn. The direct routing of checks makes possible collection in the minimum two-way mail time between the Reserve Bank

or its branch, and the bank of payment, and in the case of checks payable in another Federal Reserve city or district, the return mail time between Federal Reserve Banks is eliminated through telegraphic settlements between Federal Reserve Banks and branches.

Under the Federal Reserve a bank need no longer provide for the payment of its checks at distant points for it may settle for such checks by Federal Reserve funds or checks in a nearby city. All expenses in connection with the settlement of checks are now absorbed by the Federal Reserve system, whether the expense be in the form of the transfer of currency or for postage which carried the draft given in settlement of the check. Indeed, it is said that in many cases it costs less for a bank to pay a check at a distant point through the Federal Reserve system than to pay a check over the counter. Besides, this great saving to commerce in the elimination of exchange there has been brought about a greatly reduced float of unpaid checks and a prompter notification of the protested or unpaid check.

## GAIN FOR INTEREST ITEM IN CHECK COLLECTIONS

The one legitimate charge against commerce today under our check collection system is the interest item to cover the period between the deposit of a check and the time of its collection. Here is a period when the bank in which the check was deposited has not received the funds represented by the check, and there are true grounds to make a charge against the depositor in the form of interest on the funds which are advanced to him for this period. The charge is only justified, however, when the bank gives the customer immediate credit for the check and allows him to draw against the funds it represents.

In some cities, notably New York and Chicago, the clearing house requires that this interest charge be made against the depositor, while in other

cities the rule does not prevail and the bank may either absorb the interest itself or delay crediting the depositor's account until it has itself been credited the amount of the check on the books of the Federal Reserve.

## INTEREST EXCHANGE CHARGE VERSUS

In the whole study of par collections the difference between the exchange charge and the interest item must be kept clearly in mind. Under the Federal Reserve the exchange charge has been eliminated so far as banks on the par list are concerned, but the interest item in large measure still remains and will remain so long as it takes time to carry through the operation of collecting upon a check drawn against a distant bank.

The time element, however, is becoming of steadily diminishing importance for the reduction of the period of float has been subjected to a close study by the officials of the Federal Reserve Board and Federal Reserve Banks, and already the effects of the reduction of time in collecting checks are being enjoyed by commerce in a reduction in interest charges. An increasing number of clearing houses have ceased to require their members to charge interest. The interest rates against the various distances have been reduced, and the so-called discretionary zones around clearing house cities have been vastly expanded.

The machinery for collection of checks through the Federal Reserve system has meant the substitution of a scientific nation-wide method of handling checks for the complicated expensive reciprocal arrangements between individual banks; it has resulted in decreased cost of check collections, reduced time between the deposit and the actual collection of the check, and lessened risk because of the quickness with which checks are presented for payment.

## PAR PAYMENT PLAN OF CREDIT MEN'S ASSOCIATION

It is because the Federal Reserve collection system is of such great benefit to business that the National Association of Credit Men has made the support of this collection system one of its major endeavors and has inaugurated the plan to encourage par payment, in which more than 2,000 business concerns are now participating. The plan had its birth in the Banking & Currency Committee of the Association and should be supported by the members throughout the country.

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## A Bag of Tricks

(Continued from page 10)

figure head who only sits here at director's meetings and is in touch with the company situation only as Hilgartner chooses to disclose it. No concern can exist under such a managerial and financial policy. On the other hand your Mr. Johnson has not had a fair show. He is a financial man of rare ability as well as a chemist high in the esteem of his associates. Had you ever consulted with him in regard to your stock transactions and other matters the results might have been vastly different. How obviously foolish to pay him a salary—small as it is and then not take advantage of his entire credit and financial advice. Such a situation is nothing less than appalling. "And now in conclusion I wish to say that the bank will continue to carry the loan under two conditions."

The directors leaned forward expectantly.

"First," continued Tenny, "that you pay up your balances on the stock transaction. It is far better to do that now using the money for tiding over the Company's present need—than later to be forced to do so at the demand of your creditors."

"Second, that Mr. Noel Johnson be made your general manager."

Hilgartner sprang to his feet. "It's a

frameup!" he shouted. But they waved him aside with a contemptuous silence.

Tenny watched the troubled waters smooth over to a dull silence before he again continued. He was jubilant although his expression remained unaltered. The tide was continually turning in his favor, and with it he saw an embarrassed bank loan gradually working out to a satisfactory conclusion under the careful management of his best friend.

"There will be one other requirement," And now he spoke sympathetically. "Your new manager should not be handicapped by a lack of working capital. It would be a logical conclusion to ask you to make a real endeavor toward raising another twenty-five thousand dollars. With such funds available, the Commercial Bankers Trust Company will feel confident that Mr. Johnson will recreate the former prestige of the Flaxson Company."

The startling disclosures of the afternoon had seemed to bewilder the directors but hardly had they expected the still more bewildering developments which awaited them.

It was Noel who now threw the bomb "I'll raise the twenty-five thousand," he said quietly.

"Twenty-five thousand—you!" Fullmore wheeled in his chair to look up at the speaker with open eyed amazement. Hilgartner laughed viciously until he caught the twinkle in Tenny's eye and he stopped abruptly.

And now came Noel's turn. It was as if he had picked up a stacked deck to find that the dealer had unwittingly thrown the cards in his favor.

"Dr. Fullmore," he said when the excitement had subsided. "After Hilgartner presented his plan on the stock transaction what was your agreement with the other directors?"

The doctor faced his examiner with confidence.

"I agreed," he said, "to provide one-half of the one hundred and fifty thousand dollars providing they pooled the other half. It was very specifically understood that all the checks were to be handed in at the same time—to Mr. Hardy as trustee."

"Very good," Noel spoke tersely. "Now doctor—please mention for us the individual payments as you remember them."

"Let me see—" The physician made some rapid calculations on the back of a notebook—"Yes, here I have them. Myself seventy-five thousand, Watson, fifteen thousand, Bennett, ten thousand, Dailey, ten thousand, Hardy, ten thousand, Hilgartner, five thousand—and the balance a twenty-five thousand dollar check came from Morris Hilgartner who I understood to be our manager's brother. The checks were all paid in simultaneously at one of our meetings a number of months ago."

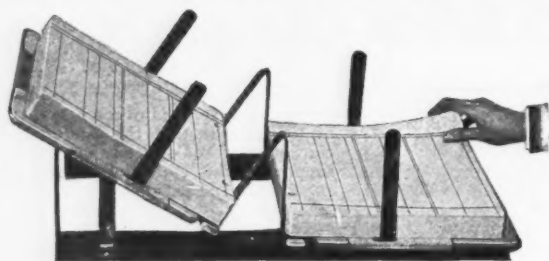
Noel turned to the treasurer. "And now, Mr. Hardy," he said, "it's your turn. Tell me what became of the Morris Hilgartner's check."

Hardy turned red and stammered a bit, looked sheepishly at the crestfallen manager who glared at him contemptuously.

"At the request of Gordon Hilgartner," he finally stuttered, "his brother's check was not cashed. It was held pending a resale of the stock. But the stock was never sold. It lay in the safe as a dead asset for months. Finally, I got a bit of wind and confided the matter to Mr. Johnson."

Hardy paused, brushed the white hair from his forehead and wiped his fingers,

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wet with perspiration, running them back and forth on the immaculate whiteness of his handkerchief.

"Gentlemen," and Noel picked up the thread of the old man's story. "Mr. Hardy is quite right. You made him trustee under your agreement. He was prevented from carrying out that agreement through a collusion between the brothers Morris and Gordon Hilgartner. It is quite evident that our manager faked a deal with his brother in order to get the rest of you for your part in the pool without involving himself to any appreciable extent. The Morris Hilgartner check would have been buried and lost had not Mr. Hardy taken the matter up with me.

"With the instinct of my credit training, I proceeded to investigate quietly and by a little clean trickery, unnecessary to explain now, Mr. Hardy managed—about a week ago—to obtain from Morris Hilgartner a new check which relieved the company from having stale paper in its possession. Of course, Morris Hilgartner believed that the check would never be cashed."

Noel paused a moment to smile. "The game of huckelty-buck," he said, "is not to my liking. But, if necessary I can play it as well as the next man. The check was subsequently put through the bank and of course came back protested. Further investigation corroborated by previous information proved Morris Hilgartner a well known oil stock operator—questionable to say the least. But fortunately for us—though unfortunate perhaps for some poor widow—he has money and operates in a state where the fraudulent check law is very stringent. Gentlemen, I will raise the twenty-five thousand by making collection against Morris Hilgartner. Unless he comes across we will have him in jail."

"Wait a minute!" Gordon Hilgartner sprang to his feet. His face slowly bleached under the terse accusations of his subordinates and Noel's finger pointing at him in scorn.

"Wait a minute!" he thundered. "So that's the game, eh! Well two can play it. Fraudulent check—eh! So you think you'll railroad my brother. Not on your life! You can't do it. The stock was never issued."

"Oh, yes it was," Noel roared back with equal celerity. The fight had been brought to his very door and he met the struggle with all the enthusiasm of one who had broken his chains to cast himself headlong at his oppressor. "I delivered the stock to the bank with the check for delivery in payment. Unfortunately you signed an extra certificate. We readily got Mr. Hardy's counter-signature."

Gordon Hilgartner sank into his chair, cringed for a moment like one bewildered and then came back with a magnificent parry.

"You fool!" he almost screamed. "You can't railroad my brother on that stuff. The fraudulent check law doesn't hold on a past due obligation."

Tenny laughed. He was now in the full flush of his victory as he broke into conversation with the last blow.

"Quite right," he said. "But delivery of stock and check to our bank at the self same time makes the obligation a very present one indeed."

Gordon Hilgartner sat down. He listened to the directors call for his resignation. His forehead glistened. His fingers showed white where he held tightly

to the arm of his chair. And Noel in spite of his aversion pitied him from the bottom of his heart.

\* \* \*

They again sat at their favorite table at the University Club. Another year had swept by—another ceremony—another expression of their lasting confidence in the old friendship.

The dazzling lights of the cars again cut their paths down the avenue. The dark window again reflected back its mirror picture. Noel saw himself alert, eager, magnificently in the prime of life.

"Everything fine—you say?" Tenny finally asked.

"Great!" Noel returned with enthusiasm. "Sales coming better every day and we're nearly making the old percentage. I haven't seen much of you lately."

"Not strange—life has only its possibil-

ities. One must work to eat." Tenny smiled.

Noel watched the face of his chum; the same eager face, the same inflexibility, but behind it a vivid expression of sympathetic understanding.

"Tell me Tenny," he finally asked—"just one thing more. How in the world did you get so many details. The facts you sprang on the directors sure displayed an almost uncanny inside information."

There was a twinkle in Tenny's eyes. "Thought you'd ask that question some day," he said. "You had the right idea on the oil promotion game. But you apparently didn't know that both the brothers were badly involved in it. Some of our clients asked us to investigate. We sent down one of those slueths who never misses a trick. He dug up a lot of



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brotherly correspondence which was amazing to say the least. But a lot of information came to us by sheer accident. Do you remember the stenographer Hilgartner had for several months and finally fired?"

Noel nodded.

"She was more than a stenographer, I think. Men of that kind do such things you know. They quarreled. He fired her. Just by chance we hired her. Well man does a lot of talking you know."

Viewed as a whole, activities against the stock faker, as carried on by the Better Business Bureau movement are divided into three main phases:

1. Investigation of doubtful security offerings or questionable methods of sellers, with direct action to correct wrong practices by appeal to the individual or firm responsible or by a presentation of facts to prosecuting authorities.

2. The gathering of information (made up of facts not of opinions or of rumor) which is made available to banking institutions, investment houses and publications co-operating with the movement, on which they can base opinion or advice. This information is available also to individuals who make inquiry of the Bureau direct. The Bureau itself does not advice or deal in opinions. Neither does it frown on new enterprises merely because they are unproven or unseasoned.

3. Educational effort which takes two forms: (a) facts given to the public through the press, revealing the nature of schemes which snare investors so that similar ones encountered may be recognized by the prospective victim himself and, (b) general information which helps develop an understanding of the principles of sound investment.

In this proven and concrete procedure which acts in the public interest to protect the good name of business and preserve its honorable traditions of fair dealing and public service, it is desired that all business men co-operate. Every credit manager and every marketing executive as well should give this movement his serious consideration and after convincing himself of its effects on sales and collections, and of its importance to the country in an economic and social sense, he should get in active touch with it and lend a hand.

## Franey Takes Hold

THE National Association of Credit Men is fortunate in having for the chairman of its National Membership Committee for the coming year, James T. Franey of Kansas City, who has long been a director or officer of the Kansas City Association of Credit Men and has



served as councillor of the National organization for the Sixth District.

After leaving the University of Nebraska, Mr. Franey was in the railroad business in Missouri and Illinois. He was then interested in several commercial enterprises and is now Vice President of the Liberty National Bank of Kansas City. An ardent sportsman, Mr. Franey is identified with various social and fraternal organizations.

During the past Association year he has been active in membership work and has served as District Vice Chairman. He is not only thoroughly qualified by his varied business and organization experience to do effective membership work, but is dowered with enthusiasm for and confidence in the Credit Men's organization. It is anticipated that Mr. Franey will have the loyal and unremitting support of the entire National membership.

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DECEMBER 31st. 1923.

|                                |       |                 |
|--------------------------------|-------|-----------------|
| Assets as of January 1st, 1924 | - - - | \$52,893,275.43 |
| Capital                        | - - - | 3,500,000.00    |
| Surplus to Policyholders       | - - - | 19,192,715.02   |
| All other Liabilities          | - - - | 33,700,560.41   |

**E. C. Jameson, President**  
**Lyman Candee, Vice-President**  
**W. H. Paulson, Vice-President**  
**J. H. Mulvehill, Vice-Pres. & Secy.**

**J. D. Lester, Vice-President**  
**W. L. Lindsay, Secretary**  
**A. H. Witthohn, Secretary**  
**G. C. Owens, Ass't. Secretary**  
**M. J. Volkmann, Local Secretary**

## Your Fired!

(Continued from page 18)

wisely established credit limitations of many of our customers; and where, in some cases you did determine a credit limit, you failed to enforce it.

"Then it seemed that, immediately after our talk, there came, with an abruptness that puzzled me, a marked contrast in the handling of your department. The change has to some degree upset things. Montgomery has been as concerned as I. Today, it seems you are displaying a very skillful control of the credits as against an apparently careless direction of them a month ago. Can you tell me how this change came about?"

Should he tell the Old Man just what had been running through his mind? Yes, he would! He was through that day, anyway. Perhaps he would at least make the way easy for his successor.

"Mr. Becker," answered Hall, "I am only too glad to answer your questions. But before doing so, permit me one correction of your statement. You mentioned 'our talk' of three weeks ago. I believe you meant *your* talk, for when I attempted to defend myself, you told me you were not interested in excuses or alibis."

Hall hesitated for a moment. Was he doing just the right thing? Should he tell the General Manager just why? The thought of what Mary, his wife, had told him when he announced his dismissal caused a flush to creep over his face.

"A man learns, Mr. Becker," continued Hall, with Mary's own words in mind, "the proper methods to pursue only after learning what to avoid. Being wrong now and then is a strong factor in putting one on the right track. I owe you a debt of gratitude for very forcefully bringing me to an appreciation of the fact that I was on the wrong track."

"Three years ago, I came here as manager of your credits and collections. You thought and I honestly believed that I was fully qualified to assume that work. I had been a bookkeeper and cashier. I knew auditing,—thought myself a pretty good accountant,—and felt that a knowledge of books and accounts was all that was required. I was wrong, dead wrong. I did not discover that fact until three weeks ago."

"I believe you will admit that all during the past three years I have worked loyally, honestly, and worked hard. But I failed."

"What is more, Mr. Becker, if you will permit my frankly saying so,—largely for the future good of your credit department,—the past failure of credit work in this organization, (as in many others,) is the basic fact that the credit department has been looked upon as a sort of necessary evil and an expense that just had to be tolerated."

### CONFESSION

"For three years I have been trying to lift myself by my own boot-straps. My efforts and energy have been misapplied. I overlooked one important fact, that organized team-play was a modern necessity of accomplishment. In missing that bet, I was no better off than a locomotive without steam. I thought that by sticking close to my desk and watching the debt and credit side of the columns, I was fulfilling my obligation. I satisfied myself by accepting the opinions and recommendations of others on credit risks; I made decisions on ratings; I did not investigate for myself."

"I was too prone to treat with cool indifference the applicant for credit. I expected our customers to accept my viewpoint. I never thought of getting the customers' viewpoint first."

"Conceitedly, I had the idea that I should hide our experiences from any competitors as much as possible, and that they all were looking for a chance to steal any desirable account we had. But I have discovered that my idea was all wrong; that the mutual exchange of experiences is very beneficial. I have just come to understand that general business knowledge was never so cheap and yet so priceless as it is today, that business men are exchanging information and experiences frankly and freely, giving and taking from the common store."

"The how's and why's, the do's and don'ts of credit and collection department work have for a long time been within my reach, and within the reach of any other individual who has common sense and industry and a real desire to obtain them. But I was blind."

"All possible assistance, council, service and helpfulness are available through the Credit Men's Association and their Adjustment and Credit Interchange Bureaus, but I was blind, perhaps selfish, probably conceited."

The General Manager interrupted: "I believe you have mentioned the Credit Men's Association on an occasion or two in the past three years."

"Yes, sir! I'm glad you remember it. First, about a year ago, after Hennelly of the Metropolitan Company had been after me for quite a while to go to the Association's State Conference, a sort of a 'credit men's school', he called it, I asked you about it. You refused to approve it; said we had to cut expenses in the credit department; that you could not see where a credit man's conference was going to help us any; that the usual business conferences are not what they seem or are advertised to be, but a waste of time and money, a smoke screen for vermillion stories, and finally, ninety-five per cent. bunk. Yet, Mr. Becker, I know you would not dispense with your monthly conferences of salesmen. They are indispensable to the expansion of the business. You go to the Athletic Club for luncheon each noon, for the purpose of meeting some business men and exchanging views. Mr. Phelan will

be at the Advertising Convention next week. The week after you go to the Dry Goods Association Convention. All seem necessary to the best interests of the business. But the credit department could not afford the probable forty dollars and one day's time to be represented at the Credit Managers' Conference."

"You go to your convention, having in mind that a single good business idea may be worth many dollars to the business—perhaps many hundreds or thousands in

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a year's time. Doesn't the same principle apply to the credit department? Every man is like a merchant's ledger; he must be accurately posted up to the latest date or he is useless.

"It took Ed son years to produce light. It took me three years, with a requested resignation thrown in for good measure, to see the light of credit work.

"Well, Mr. Becker, I have intruded a great deal on your time and I presume on your patience." Hall was beginning to feel that he had gone too far, that he had only belittled himself by his outburst, but he made up his mind he would continue if given the opportunity. What did he care now? His resignation took effect that day.

"Just as the mariner needs his maps, sextant, barometer, compass, marine glasses and other equipment to navigate his vessel so does every credit manager require certain definite equipment to point out the safe channels for credit risks.

"I used to believe," Hall continued, "that if a man was reasonably responsible, he was entitled to credit. I failed to appreciate that financial responsibility availed little if not backed by the ability and willingness to pay for merchandise sufficiently prompt to earn a profit.

"I failed to understand that we were grubstaking a dealer when I passed credit

without a complete record of how he was paying others, and was guilty of the folly of furnishing capital, involuntarily, to the procrastinating debtor and possible deadbeat.

"When a merchant was slow, the average credit report usually said he was fair or 'satisfactory pay'. I was being constantly misled by those meaningless generalities.

"I have only recently waked up to the value of the Credit Interchange Bureau service, which is a department of activity of the Credit Men's Association. But even if I had been sold on it myself I am afraid I would have been told to figure out some way of cutting the expense of the credit department instead of adding another hundred dollars a year to it. That was the way it always was: If I refused an account, I was crazy—turning business away; when I accepted it, I was easy; if I asked questions, I was too suspicious; if I didn't ask them, soft; if I kicked on deduction of unearned discounts, I'm a crab; if I forced payment, I was unfeeling; if I let the account run, I was careless; when losses are high, I get fired; if they had been low, I would have been called unwilling to take a chance. I'll tell you, Mr. Becker, the credit manager's position at its best is by no means an easy one."

Hall was certainly going strong. The way he was telling why he, like many other timid credit men never get anywhere would have brought twenty thousand fans to their feet had it been performed within sight of packed grandstands and bleachers. But there were no rooters there to see it.

"And to sing my swan song," went on Hall, "three weeks ago, I began to take a very active part in the Credit Men's Association work. Without asking your permission, I took out a small Interchange Bureau service contract because I knew that the dependable and timely facts concerning our customers, as supplied through that medium backed up by the courage and common sense to use it intelligently was one tool of operation we

no longer could very well get on without.

"I've found that granting credit without exact knowledge, based on facts and figures of the applicant's standing with other houses, was blind business. And blind business is bad business.

"For the last month, I haven't missed a regular or informal gathering of the Credit Men's Association, or of the dry goods and textile groups. Certainly, it has taken some time, but I am certain that that little time and nominal expense have been the best investment the credit department of this organization has ever or probably ever will make.

"Now, I don't pretend that I am always as right as I think I am; but this time I know I'm right! And I hope, Mr. Becker, that my successor will have more of a free hand in the operation of the credit department than I have had, and will show more initiative and breadth than I did up to three weeks ago. I've tried to show during the past three weeks that if granted the necessary tools and machinery, the credit department can be a value and a productive end of the business, and should not be looked upon as a necessary evil and expense."

All the while Hall was talking the Old Man had been very attentive. If Hall had not been excited he would have noticed that the Old Man had also been very considerate. When Hall finished, a little flushed, his pulse on the double quick, a little out of breath, the Old Man smiled a genuine warm hearted, winning smile.

"Well, Mr. Hall," he said, "would you like to return to your department and continue to be our credit manager, providing that you got a moderate increase in salary?"

"Why, yes, Sir," stammered Hall, as joy, astonishment and elation attacked him at the same time.

"I have been watching you closely for the last three weeks. And so has Montgomery." The Old Man smiled to himself as he spoke. "I want you to go to the Credit Men's meetings; and in fact, as long as you succeed in your department, you always can count on my support. But you will admit that when our losses were large—and I was filled with worry and concern about the way you were handling your department that I was in a way justified if I did not give you much support.

"I have always known that you had the right stuff in you. And I firmly believe that if you keep on the way you have been going since we had our talk that you will be a great success. Just remember please that the Company is relying on you to protect us against loss. How you run your department is very important for every dollar that you save us is directly added to our net profits.

"Opportunities, Hall, do not come with their values stamped upon them. A day dawns like other days, and a single hour like other hours, but in that day and that hour the chance of a lifetime faces us.

"Responsibilities and rewards gravitate to the individual that is sufficiently interested and able to render real service," said the Old Man as he handed back Hall's record and suggestions for handling the delinquent accounts. "I am convinced you are able to efficiently carry out the recommendations these notes contain. I shall be glad to back your decisions, for you have shown your ability to decide right. Take an active part in the Credit Men's Association's activities; your statement is very true: organized team-play, in baseball or business, is a modern guarantee of accomplishment. Good luck to you!"

As Hall left the private office, Becker sat back in his chair with a smile of great

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| Reserve for all other Liabilities ..... | 1,255,470.97    |
| Net Surplus .....                       | 3,002,893.19    |

|                                |                 |
|--------------------------------|-----------------|
| TOTAL ASSETS .....             | \$12,518,516.71 |
| Surplus to Policyholders ..... | \$ 4,502,893.19 |

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BAGGAGE  
USE AND  
OCCUPANCY  
RENT AND  
RENTAL  
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satisfaction and noticed it was just fifteen minutes to three o'clock. He quickly grabbed the 'phone on his desk—  
"Operator, get me Plaza 5616.

"Mr. Baden, please.  
"Hello, Dick.—Good!—Is it too late for that golf game you mentioned at noon—That's right!—Yes, it's woman's privilege, but I change mine occasionally.—Good! Mighty glad to have him—I'll see if I can't pick up. Uncle John Norvell and we'll have a foursome.—Yes, I'm ready now and feeling great. Just closed the best deal I've made in a year."

\* \* \*

In a house in the suburbs a pretty woman was busily at work in the kitchen. Her face was flushed with warmth and she was very, very busy. Pots and pans of good things,—delicious odors—it was evident that the meal was going to be an exceptionally fine one and that this was no ordinary preparation. She had on her best dress, the one she had bought a month ago and that she liked so well. Her white apron both protected and enhanced it. When the telephone rang she was absorbed in her thoughts and did not at first hear it. When he came home he was going to get a royal welcome. He would be down hearted and blue and she wanted to cheer him up. She had thought of the meal and had prepared all the things that were his favorites. She could not do enough to show him that she believed in him and she knew that somehow or other that his being fired had really been a fine thing for him. He had been a different man since then—and she sensed just what had happened to him. Anyway it would be a hard job to go without work for a while, and he would be very downhearted until he got another position. It was hard to be without work—just when they had planned so many little things that they would buy. Also that vacation up to Island Lake—of course that would never happen now.

The telephone continued to ring and she suddenly came to and scampered to answer it. "Hello—Why of course—You have what—A new job?—Mac, dear you don't mean it—Can I guess with what Company?—No—Please tell me—I'm all excited.—And you will get more money?—Oh Mac, isn't that wonderful!—What company is it?—Do I want to go to the theater?—But we can't afford it—Oh well, all right—Of course if we can I would like to—Who is your new job with?—Lewis Manufacturing Company?—Why Mac, that's the same Company—"

A number of requests have been received for a reprint of Mr. Moran's four-part serial story, concluded in this issue.

THE EDITOR

## Addresses Wanted

ANDERSON, CECIL and LAWRENCE, formerly operated as Nip & Tuck Grocery, at Springfield, Mo., and later operated under the name of Handy Andy, at Junction City, Mo.

BLOOM, A., formerly proprietor of Spalding Sales Store, at Griffin, Georgia. Later reported to have gone to Atlanta, Georgia.

BURTON, E., formerly in business at 1122 East Avenue, Kalamazoo, Michigan, and later was located at 201 North State Street, Middletown, Ohio.

CAMPBELL, MRS. M. E., formerly at Robeline, La., and Mansfield, La.

CARPENTER, A. C., previously operated the Sweet Springs Plumbing Company, of Sweet Springs, Missouri.

CLUGG, J. L., a plumber, formerly of Norfolk, Virginia. Believed to now be in the vicinity of Asheville, N. C.

COX, IMOGINE (MRS. FRED), 726 Market Street, Chattanooga, Tenn.

## Credit Managers

and executives, \$3,000 to \$25,000 seeking new connections will find our individual and confidential service an effective medium to make connections desired. Present and past associations undisturbed. Since 1919 personally conducted by MR. JACOB PENN, the eminent employment authority, known to leading business men throughout America. Not employment agency or digest service. Inquiries only solicited from persons with records of successful performance and stability. JACOB PENN, INC., 305 Broadway, New York.

CORDERE, E., a Contractor, formerly of Norfolk, Virginia. Now believed to be operating either in Boston or Worcester, Mass.

CRUM, I. H., formerly of Central Grocery Company, Branchville, South Carolina.

DRURY, E. F., formerly of Detroit, Michigan and Toronto, Ontario, Canada.

ESTEP, W. T., Proprietor, Hawthorne Construction Company, 4 Reynolds Building, Hawthorne, California. Was formerly located at 5505 Whittier Blvd., Los Angeles, California, and 218 South Pacific St., Hawthorne, California.

FRANKS, ARTHUR L., formerly of Tulsa, Oklahoma and Bartlesville, Oklahoma.

FRAWLEY, JAMES C., formerly of Lewiston, Maine.

GARDNER, J. G., recently located at 8909 Carnegie Avenue, Cleveland, Ohio.

GUSTOW, ABE., formerly of the Nassau Department Store, Miami, Florida.

HANEY, MRS. ROSANO, formerly at Box 452, 16th St. Highway, Douglas, Arizona, and later of Los Angeles, California.

HARRIS, J. M., Proprietor, of the Novelty Supply Company at 108 North Dearborn Street, 308 Fullerton Building, or 130 North State Street, Chicago, Illinois, also of Hammond, Indiana.

HAWKINS, J. E., formerly of Midway, Missouri. Supposed to have gone to California.

HINDERSTIN, SAM, formerly of Catskill, N. Y.

HOLST, C. E., formerly of Norfolk, Virginia. Believed to be somewhere in either North or South Carolina.

HUBER, B., formerly of Kossuth, Ohio, and R. F. D. Spencerville, Ohio.

KEYS, W. H., formerly of Norfolk, Virginia, going later to Tuskegee, Alabama, and believed now to be somewhere in North Carolina.

LANSBURGH, JULIUS, formerly connected with the Wum Tex Paint Company, 1756 M Street, N. W., Washington, D. C.

LAWRENCE, LEE, previously in business at Chattanooga, Tenn.

MEYERS, C. A., Loogootee, Indiana.

MINNICH, A., 402 East Market Street, Arkon, Ohio.

MORGULIUS, JULIUS, formerly trading as the Embro Drug Sundry Supply Company at 1274 Washington Avenue, New York City.

PINE, M. & SONS, Wholesale Toys & Stationary, formerly located at 1650 Fulton Street, Brooklyn, N. Y.

QUINTIERRE, FRANK, formerly at Otsego, Michigan.

RAMSEY, JAMES C., formerly of 708 Columbia Road, Dorchester, Mass.

ROGERS, C. C., formerly of the McGee Hotel, Kansas City, Missouri.

SAUNDERS, Frank, formerly trading as Sanitary Bakery, at Pennington Gap, Virginia.

SCHWARCER, JOHN, formerly operated a pool room and confectionery store at Sioux City, Iowa. Now believed to be in Kansas City.

SHERMAN, F. J., formerly of Berkley, Virginia.

SHIREMAN, DOUGLAS & WILLIAM, formerly of Servia, Indiana.

SISKIND, A., 37 Hanson Place, Brooklyn, N. Y.

SMELSEY, MEYER, formerly trading as the United Sales Company, at 629 Gratiot Avenue, Detroit. (See next page)

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Note: A. C. M. means Association of Credit Men

**ALABAMA, Birmingham**—Birmingham A. C. M. Pres., T. F. Ormond, Earle Bros.; Sec.-Mgr., R. H. Eggleston, Lincoln Reserve Life Bldg.

**ALABAMA, Mobile**—Mobile Credit Men's Assn. Pres., H. F. Baldwin, Gulf Gro. Co.; Sec., J. G. Goodman, 415-416 State Office Bldg.

**ALABAMA, Montgomery**—Montgomery A. C. M. Pres., C. H. Cook, Solomon Bros.; Sec., I. M. Holloway, 421 Shepherd Bldg.; Asst. Sec., Arthur Walker.

**ALABAMA, Selma**—Selma A. C. M. Pres., W. I. Bloch, Bloch Bros.; Sec., R. S. Carothers, Selma Hardware Co.

**ARIZONA, Phoenix**—Arizona Wholesale Board of Trade, Phoenix. Pres., Geo. O. Miller, Arizona Hdw. Supply Co.; Sec., Homer F. Allen, Nat. Bank of Arizona Bldg.

**ARKANSAS, Fort Smith**—Fort Smith A. C. M. Pres., C. A. Goodwin, Williams-Echols D. G. Co.; Sec., Emmett Vick, Speer Hardware Co.; Asst. Sec., Mrs. E. M. Brogdon, 313 Merchants' Bank Bldg.

**ARKANSAS, Little Rock**—Little Rock A. C. M. Pres., R. M. Williams, Thos. Cox & Sons Mach. Co., J. M. McFarlane, American Grocer Co.; Asst. Sec., A. Brooks-Gardner, 239 Hall Bldg.

**CALIFORNIA, Los Angeles**—Los Angeles A. C. M. Pres., W. W. Grether, Grether & Grether, Inc.; Sec., E. L. Ide, 312 East Third St.; Asst. Sec., Lucille M. Tracey.

**CALIFORNIA, San Diego**—Credit Association of San Diego. Pres., R. H. Buel, Buel-Town Co.; Sec., Carl O. Retzlaff, 573 Spreckles Bldg.

**CALIFORNIA, San Francisco**—San Francisco A. C. M. Pres., C. H. Merrill, Holbrook, Merrill & Stetson; Sec., Felix S. Jeffries, 605 Wells Fargo Bldg.; Asst. Sec., D. G. Brown.

**COLORADO, Denver**—Denver A. C. M. Pres., R. E. Gentry, Tritsch Hdw. Co.; Sec., H. A. Bromley, Cluett-Peabody Co., Inc.; Asst. Sec., David F. Lowe, 414 Empire Bldg.

**COLORADO, Pueblo**—Pueblo A. C. M. Pres., —; Sec., Mr. Riley, Pueblo Flour Mills; Asst. Sec., F. L. Taylor, 747 Thatcher Bldg.

**CONNECTICUT, Associations of Credit Men**, Arthur E. Leach, Joint Secretary, 508 Malley Bldg., New Haven, Conn.

**CONNECTICUT, Bridgeport**—Bridgeport A. C. M. Pres., Howard I. Siegrist, 1089 Broad St.; Sec., J. E. Kohler, American Fabrics Co.

**CONNECTICUT, Hartford**—Hartford A. C. M. Pres., E. S. Pierce, Pierce, Inc.; Sec., E. W. Vanderwerker, Hartford Merchants' Mercantile Co.

**CONNECTICUT, New Haven**—New Haven A. C. M. Pres., Wm. E. Hilliard, New Haven Trap Rock Co.; Sec., Wm. E. Fertman, G. & O. Mfg. Co.

**DIST. OF COLUMBIA, Washington**—Washington A. C. M. Pres., Frank W. White, Nat. Elec. Supply Co.; Sec., R. Preston Shealey, 725 Colorado Bldg.; Asst. Sec., Jno. A. Reilly.

**FLORIDA, Jacksonville**—Jacksonville A. C. M. Pres., Frank W. Norris, Barnett Nat. Bank; Sec., H. W. Reno, 37 West Adams St.

**FLORIDA, Pensacola**—Pensacola Credit

## Addesses Wanted Continued

SMITH, GEO. D., formerly of Indianapolis, Indiana.

SPENCE, W. L., operating as J. P. Parker, at Dallas, Texas.

STEELE, CLAYTON, formerly of Belding, Michigan. Now reported as residing in Detroit, Michigan.

SULLIVAN CONSTRUCTION COMPANY, last known address 921 Bergen Avenue, Jersey City, N. J.

VAN DYKE, M., proprietor of a general store, at Steuben, Ohio, R. F. D. Monroeville, Ohio.

WILDER, A. J., formerly proprietor of the Standard Garage, North Branch, Michigan.

YODER, EDWARD, I., Contractor and Builder, formerly at 1221½ Waverly Street, Toledo, Ohio. Believed to have gone to California.

ZIKAY, J., formerly at Manchester, Michigan.

Men's Assn.; Pres., H. S. Lurton, Lurton-Hardaker Co.; Sec., L. L. Fabinski, 205 American Nat. Bank Bldg.

**FLORIDA, Tampa**—Tampa A. C. M. Pres., N. M. McLeran, C. B. Witt Co.; Sec., R. G. Lamberton, G. Norman Baughman Co.; Mgr., S. B. Owen, 4-5-6 Roberts Bldg.

**GEORGIA, Atlanta**—Atlanta A. C. M. Pres., F. B. Ramey, The Texas Co.; Sec., C. L. Williamson, 503 Chamber of Commerce Bldg.

**GEORGIA, Augusta**—Augusta A. C. M. Pres., John Phinlzy, Augusta Drug Co.; Sec., R. H. Heath, Heath, Bolster & Turner; Asst. Sec., W. B. Oliver, 313 Lamar Bldg.

**GEORGIA, Macon**—Macon A. C. M. Pres., J. Tom Dent, Jaques & Tinsley Co.; Sec., Candler A. Brooks, Fourth Natl. Bank; Asst. Sec., A. F. McGhee, 5 Jaques Bldg.

**GEORGIA, Savannah**—Savannah A. C. M. Pres., E. M. Frank, Frank & Co.; Sec., L. H. Buckner, P. O. Box 1316.

**IDAHO, Boise**—Boise A. C. M. Ltd. Pres., C. F. Adams, Idaho Candy Co.; Sec., H. L. Streeter, 216-218 Boise City National Bank Bldg.

**ILLINOIS, Chicago**—Chicago A. C. M. Pres., James M. Judson, Sinclair Refining Co.; Sec., J. F. O'Keefe, Suite 944-949 First National Bank Bldg., 38 So. Dearborn St.

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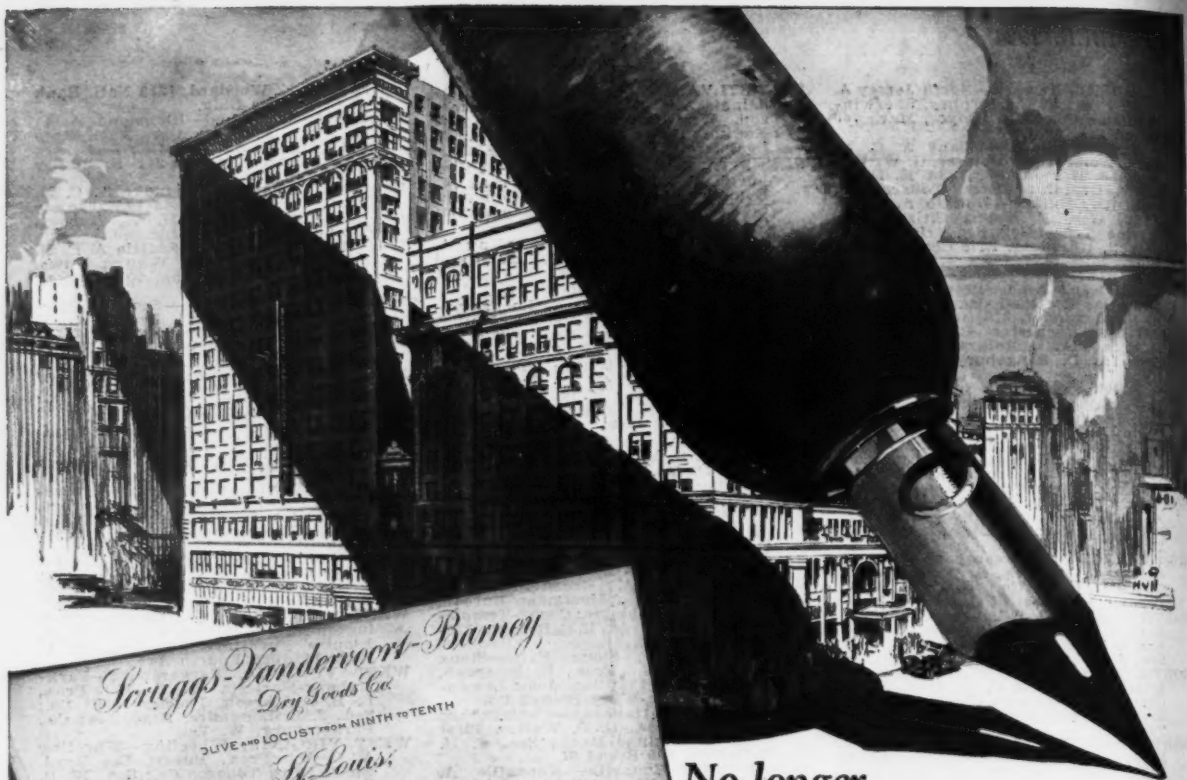
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